COMMISSION DE RÉGLEMENTATION ET D'APPELS DE L'ÎLE

THE ISLAND REGULATORY AND APPEALS COMMISSION
Prince Edward Island
Île-du-Prince-Édouard
CANADA

ISLAND REGULATORY AND APPEALS COMMISSION

Annual Report 2011-12

Picture by: Danielle Gillan

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LETTER OF TRANSMITTAL

THE ISLAND REGULATORY AND APPEALS COMMISSION
Prince Edward Island
Île-du-Prince-Édouard
CANADA

The Honourable J. Alan McIsaac
Minister of Education and Early Childhood Education
Province of Prince Edward Island

Honourable Mr. McIsaac:

The Island Regulatory and Appeals Commission has the honour to present its Annual Report for the year ended March 31, 2012.

Respectfully submitted,

Maurice Rodgerson
Chair

CHAIR'S COMMENTS

I am pleased to provide the annual report of the Prince Edward Island Regulatory and Appeals Commission for the period April 1, 2011 to March 31, 2012 and comment on another busy year for the Commission, given its regulatory and appellate functions and the ongoing administration of the *Lands Protection Act*.

The Commission's role in the regulatory supervision of Maritime Electric Company Limited has been altered by the Provincial Government and MECL signing the Energy Accord and the passage of the *Electric Power (Electricity-rate reduction) Amendment Act*. The Commission will continue to have a role in reviewing the capital budget of the utility and dealing with complaints. A challenge for the Commission during the course of the Accord will be to maintain and continue to develop expertise in the area of electricity rate regulation and keep abreast of changes in the industry. Over the past decade, the Commission's role has been altered several times from full cost-of-service rate regulation to monitoring rate-cap regulation, back to full cost-of-service regulation – now a more minor role under the Energy Accord.

Dramatic price fluctuations in energy markets have become more the norm rather than a rare occurrence and have added complexity to the petroleum price regulation duties of the Commission and the legislated requirement to balance the interests of consumers and the industry. The development of new supplies of North American natural gas, due mainly to shale gas, has impacted energy markets, reducing electricity generation costs, providing more secure supply and spawning further expansion of the residential natural gas markets. While good news for those areas with easy access to natural gas, the longer term impact on traditional home heat markets and areas such as Prince Edward Island that are heavily reliant on fuel oil for home heat, is less certain. We have noted the consolidation of some companies involved in this sector, including here on PEI. Costs continue to rise for petroleum products with home heating prices now often over a dollar per litre. The Commission has licensed some retail outlets to offer small volume sales of home heating fuel and will monitor the results of these initiatives. It is expected that the volume sold at such outlets will increase as the price of home heating fuel increases.

Over the years, the Commission, as part of its adjudicative process, has made findings on a variety of points raised at hearings. While raised in a specific case, the findings often have broader application. For

The Island Regulatory and Appeals Commission, or "IRAC" as it is commonly known in Prince Edward Island, was established in 1991 following the amalgamation of the former Public Utilities Commission, Land Use Commission and the Office of the Director of Residential Rental Property (Rentalsman). The Commission operates at arms-length from the Provincial Government. It has three full-time and up to five part-time Commissioners and a staff complement of 19.

For more information, please visit our website at www.irac.pe.ca

example, one case this year resulted in the Commission distinguishing between administrative and legislative decisions of a municipality.

Municipal and provincial planners make many hundreds of decisions each year, and a very small number of those decisions are appealed to the Commission. The appeal process offers an effective and low cost process that benefits both the decision maker and the appellant.

The Commission is also in the final stages of preparing Rules of Practice and Procedure for Hearings, bringing together all the rules pertaining to the Commission's role in conducting hearings. It is hoped the document, which addresses over five dozen topics, will assist all participants in the hearing process by offering clear guidelines and direction.

Municipal sewer and water permit applications reflect the need to upgrade services as well as the utilization of infrastructure programs. Rate applications are an indication of the increasing costs of providing sewer and water services, often within municipalities that are confronting limited, and sometimes declining, customer bases.

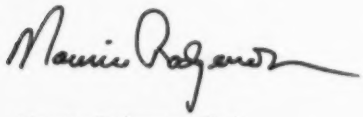
The interest of non-residents in acquiring property on Prince Edward Island appears to be rebounding following a significant downturn during the economic slump. The Commission continues to struggle with the role of balancing the long-term interests of Islanders with those of individual transactions.

National reports continue to demonstrate that Prince Edward Islanders enjoy the lowest auto insurance rates in Canada.

Each year thousands of Islanders access the services of the Office of the Director of Residential Rental Property. While operating independently, the Office of the Director of Residential Rental Property is housed with the Commission and the Commission provides all administrative and support services. This type of arrangement works well in a jurisdiction our size and enables a broader range of services to be provided at reasonable cost. We are also pleased to provide accounting support to the Office of the Police Commissioner.

The Commission's commitment to fiscal responsibility is demonstrated in the attached financial statements.

Given the scope of the Commission's work there is often controversy and concern over decisions and actions of the Commission. I am deeply proud of the attention to fairness demonstrated by all those involved in Commission services. The dedication of staff and Commissioners is exemplary.



Maurice Rodgerson, Chair

COMMENTARIES DU PRESIDENT

Je suis heureux de présenter le rapport annuel de la Commission de réglementation et d'appels de l'Île-du-Prince-Édouard qui couvre la période du 1er avril 2011 au 31 mars 2012 et de formuler des commentaires sur une autre année chargée pour la Commission étant donné ses fonctions de réglementation et d'appels et d'administration continue de la *Lands Protection Act* (loi sur la protection des terres).

Le rôle de la Commission dans la supervision réglementaire de Maritime Electric Company Limited (MECL) a été modifié par la signature de l'Accord énergétique et l'adoption de la *Electric Power (Electricity-rate reduction) Amendment Act* par le gouvernement provincial et MECL. La Commission continuera à jouer un rôle dans la révision du budget d'immobilisations du service public et dans la gestion des plaintes. L'un des défis de la Commission dans le cadre de l'Accord sera de maintenir et de continuer à développer de l'expertise dans le domaine de la réglementation des taux d'électricité et de se tenir au courant des changements dans l'industrie. Au cours de la dernière décennie, le rôle de la Commission a été modifié plusieurs fois, passant d'un système de réglementation complète des taux de coûts de service, au contrôle de la réglementation sur le plafond tarifaire et de nouveau à la réglementation complète des coûts de service – actuellement un rôle moins important dans le cadre de l'Accord énergétique.

Les fluctuations marquées des prix sur les marchés de l'énergie sont davantage la norme plutôt qu'un rarissime et ont compliqué les tâches de réglementation des prix du pétrole et l'exigence établie par la loi d'équilibrer les intérêts des consommateurs et de l'industrie. Le développement de nouvelles sources d'approvisionnement en gaz naturel de l'Amérique du Nord principalement en raison du gaz de schiste a eu un effet sur les marchés de l'énergie, réduisant les coûts de génération d'électricité, fournissant un approvisionnement plus sûr et favorisant une plus grande expansion des marchés résidentiels de gaz naturel. Bien qu'il s'agisse de bonnes nouvelles pour les régions qui ont facilement accès au gaz naturel, l'impact à plus long terme sur les marchés traditionnels et sur les régions comme l'Île-du-Prince-Édouard qui sont fortement tributaires du mazout pour le chauffage domestique est moins certain. Nous avons remarqué la consolidation d'entreprises impliquées dans ce secteur, y compris ici à l'Î.-P.-É. Les coûts continuent d'augmenter pour les produits du pétrole, le prix du mazout se situant souvent à plus d'un dollar le litre. La Commission a autorisé certains détaillants à vendre de petites quantités de mazout et surveillera les résultats de cette initiative. On s'attend à ce que le volume vendu chez ces détaillants augmentera au fur et à mesure que le prix du mazout augmentera.

Au fil des ans, la Commission, dans le cadre de son processus juridictionnel, a formulé des constatations sur divers points soulevés lors d'audiences. Bien qu'il s'agisse de constatations dans le cadre d'un cas précis, elles ont souvent une application plus large. Par exemple, un cas cette année a permis à la Commission de distinguer entre les décisions administratives et législatives d'une municipalité. Les planificateurs municipaux et provinciaux prennent des centaines de décisions chaque année et très peu sont portées en appel auprès de la Commission. Le processus d'appel est un mécanisme efficace et peu coûteux qui profite au preneur de décisions et à l'appelant.

La Commission est aussi en train de mettre la dernière main à la préparation des règlements régissant les pratiques et les procédures aux fins d'audiences, réunissant tous les règlements

relatifs au rôle de la Commission dans la tenue de celles-ci. Nous espérons que le document, qui porte sur une soixantaine de sujets, aidera les participants au processus d'audience en offrant des directives et des orientations claires.

Les demandes de permis pour les égouts et les eaux municipales reflètent le besoin d'amélioration des services ainsi que l'usage des programmes d'infrastructure. Les demandes présentées pour ce qui est des taux sont une indication des coûts à la hausse de la prestation des services d'égout et d'eau, souvent dans les municipalités qui font face à un nombre de clients limité ou à la baisse.

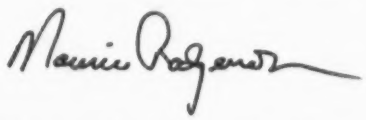
L'intérêt des non résidents à se procurer de la propriété à l'Île-du-Prince-Édouard semble avoir repris à la suite d'un important ralentissement pendant la crise économique. La Commission fait toujours face à des défis dans son rôle d'équilibrer les intérêts à long terme des Insulaires et ceux des transactions individuelles.

Des rapports nationaux démontrent toujours que l'Île-du-Prince-Édouard profite des taux d'assurance automobile les plus bas au Canada.

Chaque année, des milliers d'Insulaires font appel aux services offerts par le Bureau du directeur de la location des propriétés résidentielles. Bien qu'il fonctionne de façon indépendante, le Bureau du directeur de la location des propriétés résidentielles relève de la Commission et cette dernière fournit tous les services administratifs et de soutien. Ce genre d'arrangement fonctionne bien dans un territoire de notre grandeur et permet qu'une plus grande gamme de services soit offerte à un coût raisonnable. Nous sommes aussi contents de fournir des services de soutien en comptabilité au Bureau du commissaire de police.

L'engagement pris par la Commission sur le plan de la responsabilité budgétaire se manifeste dans les états financiers ci-joints.

Étant donné le genre de travail réalisé par la Commission, il y a souvent controverse et préoccupation par rapport à ses décisions et à ses actions. Je suis extrêmement fier de l'attention à l'équité portée par ceux qui contribuent à la prestation de services offerts par la Commission. Le dévouement du personnel et des commissaires est exemplaire.



Maurice Rodgerson, president

CORPORATE AND FINANCIAL

Legislative Responsibilities and Corporate Organization

Introduction

The principal *Acts* under the administration of the Commission are:

- *Lands Protection Act*
- *Rental of Residential Property Act*
- *Petroleum Products Act*
- *Electric Power Act*
- *Water and Sewerage Act*

In addition to administering these *Acts*, the Commission's responsibilities include: appellate responsibilities under the *Planning Act*; the *Unsightly Property Act*; the *Revenue Administration Act* (appeals on taxation under the *Gasoline Tax Act*, the *Health Tax Act*, the *Revenue Tax Act*, and the *Environment Tax Act*); the *Real Property Assessment Act*; the *Real Property Tax Act*; the *Roads Act*; and the *Heritage Places Protection Act*. The Commission has responsibility under the *Municipalities Act* for conducting public hearings and making recommendations to the Minister on municipal boundary extension applications. The Commission regulates automobile insurance rates under the *Insurance Act*, and changes to Island Waste Management Corporation rates under the *Environmental Protection Act*. The Commission was given additional appellate responsibilities during 2009 with the granting of a limited right of appeal under Section 29.1 of the *Environmental Protection Act* in conjunction with Section 13 of the *Environmental Protection Act* – Watercourse and Wetland Protection Regulations.

The Island Regulatory and Appeals Commission is established by the *Island Regulatory and Appeals Commission Act*, R.S.P.E.I. 1988 Cap. I-11.

IRAC conducted 246 meetings/hearings and presided over 47 hearing days during fiscal 2011-12.

Commission Personnel (as of March 31, 2012)

Full-time Commissioners:

Chair and Chief Executive Officer	Maurice Rodgerson
Vice-Chair	Allan Rankin
Commissioner	John Broderick

Part-time Commissioners:

Michael Campbell
Leonard Gallant
Ferne MacPhail
Peter McCloskey
Jean Tingley

Staff Positions:

Land, Corporate and Appellate Services

Director	Eileen Callaghan
Commission Administrator	Susan Jefferson
LPA Administrator (on leave)	Danielle Gillan
Appeals Administrator	Philip Rafuse
LPA Analyst	Janice MacKinnon
LPA Analyst (term)	Cassie MacKenzie
Admin Support / Receptionist	Dawn Murphy
Receptionist	Glynne Squires

Office of the Director of Residential Rental Property

Director	Catherine Flanagan
Rental Officer	Shayne Hogan
Rental Officer	John Keizer
Information Officer	Kay Driscoll
Administrative Assistant	Hillis Jones

Technical and Regulatory Services

Director	Allison MacEwen
Senior Analyst	Mark Lanigan
Research Analyst	Heather Walker
Systems Specialist	Daniel Arsenault
Analyst	Donna Chandler
Licensing & Pricing Coordinator	Faye Weeks

The Lieutenant Governor in Council appoints the members of the Commission and designates the chairman and a vice-chairman.

The ***Island Regulatory and Appeals Commission Act*** provides for the appointment of a full-time chairman who shall be the chief executive officer of the Commission, a full-time vice-chairman, who shall assume primary responsibilities for matters related to land, one other commissioner; and not more than five part-time commissioners.

2003 — 2012
Public Hearing Days–by Division
(Fiscal Year End)

	land & property	technical services	rental	petroleum	TOTAL
2012	14	0	33	0	**47**
2011	30	5	20	4	**59**
2010	9	1	33	0	**43**
2009	16	1	15	0	**32**
2008	6	0	12	0	**18**
2007	9	0	10	0	**19**
2006	21	0	18	0	**39**
2005	18	4	13	0	**35**
2004	5	0	12	0	**17**
2003	13	4	13	0	**30**

2003 – 2012
Commission Meetings & Hearings
(Fiscal Year End)

	hearings	meetings	TOTAL
2012	47	199	**246**
2011	59	241	**300**
2010	43	233	**276**
2009	32	256	**288**
2008	18	215	**233**
2007	19	208	**227**
2006	39	245	**284**
2005	35	159	**194**
2004	17	198	**215**
2003	30	201	**231**

2003 - 2012
Commission Decisions-Orders-Approvals-Mediations
(Fiscal Year End)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
LANDS PROTECTION										
Non-Resident Applications	116	99	106	106	120	113	107	48	72	83
Corporate Applications	203	225	185	203	246	240	211	171	191	241
Annual Disclosure Statements	120	134	136	142	142	150	139	135	146	158
Global Lease Applications	4	9	16	8	4	12	11	11	11	17
Amendment Applications	38	47	54	51	67	42	49	44	36	40
Enforcement Decisions/Orders	13	15	4	9	4	5	19	18	15	13
TOTAL LANDS PROTECTION	**494**	**529**	**501**	**519**	**583**	**562**	**536**	**427**	**471**	**552**
MUNICIPAL BOUNDARY EXTENSIONS	**0**	**0**	**1**	**2**	**0**	**4**	**2**	**0**	**2**	**1**
REGULATORY FUNCTIONS										
• **Petroleum Licensing & Pricing**										
Petroleum Pricing Applications	109	109	111	108	**50	16	28	38	32	29
Other Petroleum Pricing Matters	6	1	5	5	22	28	34	30	30	27
Initial Petroleum Applications	26	1	9	11	13	8	4	7	5	1
Other Petroleum	4	21	31	59	56	40	31	40	28	33
Subtotal	**145**	**132**	**156**	**183**	**141**	**92**	**97**	**115**	**95**	**90**
• **Public Utilities**										
Water-Sewer Utility Rate Applications	1	4	4	2	6	2	6	3	3	1
Electric Utility Rate-Related Applications*	n/a	0	2	3	1	2	5	4	3	0
Water-Sewer Utility Formal Complaints	0	0	0	0	0	0	0	1	0	0
Electric Formal Complaints	0	0	0	0	0	1	1	0	0	0
Other Water-Sewer	0	1	0	0	1	0	0	0	0	1
Other Electric	1	1	4	1	8	6	12	2	2	5
Water-Sewer Construction Permits	15	15	6	13	23	12	7	11	15	6
Other	0	0	0	0	0	0	0	0	0	0
Subtotal	**17**	**21**	**16**	**19**	**39**	**23**	**31**	**21**	**23**	**13**
• **Automobile Insurance**	**n/a**	**22**	**17**	**36**	**32**	**56**	**73**	**57**	**59**	**57**
• **Island Waste Management**	**n/a**	**n/a**	**n/a**	**1**	**0**	**0**	**0**	**1**	**0**	**1**
TOTAL REGULATORY FUNCTIONS	**162**	**175**	**189**	**239**	**212**	**171**	**201**	**194**	**177**	**161**
APPELLATE FUNCTIONS										
Environmental Protection Act Appeals	0	0	0	0	0	0	0	0	1	1
Planning Act Appeals	5	8	14	14	12	11	14	11	13	5
Roads Act Appeals	0	0	0	0	0	0	0	0	0	0
Real Property Assessment Act Appeals	4	0	0	2	1	0	1	0	2	1
Rental Appeals/Allowable Rent Increase	22	20	21	20	18	17	19	36	23	36
Sales Tax Appeals	4	1	0	0	0	0	0	0	0	0
Appeals Mediated	2	0	4	2	2	0	0	0	0	1
TOTAL APPELLATE FUNCTIONS	**37**	**29**	**39**	**38**	**33**	**28**	**34**	**47**	**38**	**44**
TOTAL OVERALL	**693**	**733**	**730**	**798**	**828**	**765**	**773**	**668**	**688**	**758**

* Effective January 1, 2004, electric regulation was re-established.

** Process of requiring applications for routine price changes discontinued (except for propane).

STRATEGIC PLAN

Corporate

Mandate

The Commission is an independent quasi-judicial tribunal with appellate, regulatory and administrative responsibilities derived from the *Island Regulatory and Appeals Commission Act* and the provisions of a number of Province of Prince Edward Island Statutes.

Vision

To be respected for independence, professionalism, competence and leadership in the matters the Commission regulates, adjudicates and administers.

Mission

To ensure the public of Prince Edward Island is provided with unbiased, well-reasoned, clear and timely decisions in all matters brought before the Commission for its consideration.

Core Values

The following values govern the Commission's daily operations and interactions:

- Respect of the public trust vested in the Commission.
- Respect of the individuals, businesses and organizations with whom we interact.
- Professionalism in consultations and public hearings.
- Fairness, balance, clarity and timeliness in decisions.
- A safe, healthy, co-operative and respectful environment for our staff and the clients we serve.
- Competent, well-trained, and motivated employees.
- Open, accountable and responsible fiscal management.
- Openness to new ideas and changes that meet the requirements of governing legislation and improve the Commission's effectiveness and efficiency.

Goals

In 2004, upon the completion of an environmental scan, the Commission adopted a Strategic Plan to guide operations into the future. Divisions established a number of specific goals and objectives based upon the Strategic Plan and those goals and objectives were presented in detail in the Commission's 2003-2004 annual report.

Since 2004, each annual report provides an update on the progress of goals and objectives set the preceding year and notes initiatives planned for the coming year.

- To maintain the Commission's actual and perceived independence while remaining open and accountable to the public.
- To liaise with regulated industries in maintaining an efficient, fair, reasonable and cost effective regulatory system for auto insurance, water-wastewater, waste management and electrical rates.
- To regularly monitor and analyze public issues which arise in the normal course of the Commission fulfilling its mandate and to discuss such issues, where appropriate, with the Minister through whom the Commission reports to the legislature.
- To produce legally correct, timely, well-reasoned and unbiased decisions for all matters under the Commission's consideration.
- To maintain up-to-date IT systems and hardware to enable staff to competently serve the public.
- To provide a non-threatening and user-friendly atmosphere for hearings and to continue to encourage appellants to appear, with or without legal representation.
- To conduct hearings in such a manner as to ensure those without legal representation are afforded the full opportunity to be heard within the principles of fairness and natural justice.
- To continue to improve and expand the Commission's involvement and communication with relevant organizations and boards, government, regulated industries, public utilities and the general public.
- To ensure the public is properly informed about the Commission, its legislated mandate and its various functions.
- To ensure a continuous, well-trained, competent staff in all Commission mandated functions through staff development, training and cross-training where possible.
- To provide a safe, healthy work environment for staff.

Accomplishments 2011-2012

- The Commission's rules and practices to assist those appearing before the Commission are almost completed and will be posted to the website in 2012-13.
- A more stable funding arrangement for the Commission was not secured; however, the Commission will make further endeavours to this end in its negotiations in 2012-13 for a new assessment agreement to cover the fiscals April 1, 2013 through March 31, 2016.
- Continue to make staff available to meet with water and sewer utility administrative officials.
- Review the Commission's website to enhance ease of access and effective presentation of relevant information.

Objectives 2012-2013

- Make staff available to assist the Commissioner expected to be appointed during 2012 to review the *Lands Protection Act*.

Office of the Director of Residential Rental Property

1. Inquiries

Accomplishments 2011-2012

- The Office of the Director of Residential Rental Property experienced an increase of 5% in the number of inquiries from 2010-2011. The increase did not relate to any specific area, but was observable in all categories.
- The Information Officer and the Rental Officers presented information sessions on both general and specific topics to interest groups and individuals anxious to understand their rights as lessors/lessees as well as to other groups who interact with lessors and lessees.
- The Information Officer provided training sessions to all front-line employees of Access PEI across the province to ensure their familiarity with the *Rental of Residential Property Act* and its procedures and forms.

Objectives 2012-2013

- To continue to advise both lessors and lessees of their rights and responsibilities with a view to assisting them to solve their differences quickly and at the earliest opportunity.
- To find innovative methods for providing information to the public, including more outreach and better utilization of technology.

2. Hearings

Accomplishments 2011-2012

- The total number of applications filed in 2011-2012 increased slightly from 416 to 422.
- Approximately 15% of all applications were resolved before a hearing could be held, a decrease of 6% over the previous reporting period.
- Notwithstanding that fewer applications settled without the necessity of a hearing, the average time elapsed between hearing and application declined by 15% compared with 2010-2011.

Objectives 2012-2013

- To maintain the improvements in the timely scheduling of hearings in all non-urgent applications.
- To seek innovative ways to maintain the current turnaround times for urgent applications.
- To provide assistance to the parties in order to facilitate resolution of the issues between them and to better prepare participants for hearings.

3. Decisions

Accomplishments 2011-2012

- The number of orders issued by the Office decreased very slightly from the number issued in 2010-2011, from 350 to 347.
- The average wait time from hearing date to order issued increased by six days during the reporting period but was still within policy.

Objectives 2012-2013

- To continue to issue all orders on a timely basis.
- To strive to reduce the number of days elapsed between the hearing of an application and the issuance of the order.
- To explore ways in which technology can be used to achieve greater efficiency in rendering decisions.
- To strive to find ways to make the rationale for decisions clear to all parties.

Technical and Regulatory Services Division

1. Auto Insurance Rate Regulation

Auto insurance rate regulation was implemented in 2004-2005 and continues to consume significant staff resources.

Accomplishments 2011-2012

- Reviewed and approved annual auto insurance rate filings for all insurers.
- Refined database management tools that assisted in analyzing and processing applications.
- Actively participated in the development of the Canadian Auto Insurance Rate Regulators Association (CARR).
- Successfully implemented and updated the rating profile system.
- Continued involvement in discussions relative to the development of a national harmonized rating profile system.

Objectives 2012-2013

- To host the national convention of the Canadian Auto Insurance Rate Regulators in the fall of 2012.
- To review and approve annual auto insurance rate filings for all insurers.
- To continue the development of a regulatory process that is cost effective and timely.
- To continue to refine database management tools to assist in analyzing and processing applications.
- To review the filing guidelines and rating profiles.
- To continue active participation in the Canadian Auto Insurance Rate Regulators Association.

2. Electrical Utility Regulation

The implementation of electric utility regulation took effect on January 1, 2004 with the proclamation of the *Electric Power Act*.

Accomplishments 2011-2012

- Reviewed Maritime Electric's 2012 annual capital budget and 2010 capital budget variance report.
- Approved amendments to Maritime Electric's key performance indicator reporting system.
- Approved Maritime Electric's issuance of $30 million first mortgage bonds for refinancing operations.

- Issued directives to Maritime Electric concerning financial treatments of excess earnings and income tax recoveries.
- Verified Maritime Electric's compliance with Section 3 of the *Renewable Energy Act* which requires procurement of 15% of electricity from renewable generation sources.

Objectives 2012-2013

- To continue the development of a regulatory process that is cost effective and timely.
- To review Maritime Electric's ongoing capital programs as well as its rules and regulations, and to finalize an open access transmission tariff in Prince Edward Island.
- To monitor Maritime Electric's compliance with *Electric Power (Energy Accord Continuation) Amendment Act*.

3. Petroleum Regulation

Accomplishments 2011-2012

- Continued to refine the Commission's Commodity Based Pricing Model.

Objectives 2012-2013

- To continue to maintain the high level of data analyses and research in the pricing area.
- To continue to maintain a positive working relationship with the industry and the consuming public.

4. Municipal Water and Wastewater Utility Regulation

The Commission regulates approximately 26 municipal and private water-wastewater utilities.

Accomplishments 2011-2012

- Reviewed the rates of municipal utilities and authorized rate changes.
- Reviewed and authorized several utility construction projects.
- Prepared and distributed a water/wastewater reference manual designed to educate and assist utility representatives in understanding the Commission's role as a regulator.
- Created a simplified, electronic rate filing template to aid utilities in the rate filing process.

Objectives 2012-2013

- To continue to ensure that uniform accounting procedures are being followed.
- To continue to provide assistance and information to utilities, and to review and authorize rate changes and construction permits, as necessary.
- To continue to conduct regional information and training sessions with water and sewer utility administrative officials.
- To continue to review current practices related to utility regulation and develop ways to enhance procedures.

Land, Corporate and Appellate Services Division

1. Appellate Functions

Accomplishments 2011-12

- Commission staff continues to provide interested individuals with information on the appeal process and appeal procedure.
- Staff continued to review the Frequently Asked Questions sections of the appeals area on the Commission's website and made appropriate changes and additions on a regular basis.
- Staff participated in the drafting of proposed *Rules of Practice & Procedure for Hearings*. During the reporting period, the drafting of these Rules was ongoing.

Objectives 2012-13

Commission staff will:

- Continue to liaise with those groups and organizations who are interested in the Commission's mandate.
- Continue to be available to groups such as the Federation of Municipalities, the Department of Finance, Energy and Municipal Affairs and the Law Society of Prince Edward Island.
- Continue to provide research for the Commission into emerging jurisdictional issues which may arise as a result of the proclamation of revisions to the *Planning Act* in June, 2009.
- Continue monitoring the ongoing development of the appeal process for appeals filed under the *Environmental Protection Act*.
- Continue an ongoing review of the Frequently Asked Questions sections of the appeals area on the Commission's website.
- Continue to work with Technical and Regulatory Services Division staff to revamp/create a database for appeals.
- Continue a process to codify existing Commission practices and procedures utilized within the appellate context and explore new practices and procedures to deal with emerging issues, with a view to the adoption of *Rules of Practice & Procedure for Hearings* early in 2012-2013.

2. Lands Protection

Accomplishments 2011-2012

- Commission staff met with Provincial planning and sub-division authority staff on several occasions. Information sharing in these meeting is valuable to both parties. Commission staff also attended a meeting of the Federation of Agriculture at the request of the Federation. Staff also attended and spoke on the *Lands Protection Act* at a soil conservation conference.
- A property search at Registry for Deeds for outstanding transaction checks has not been completed; this is expected to be done in the next fiscal year if resources are available.
- The reconciliation of the non-resident ownership changes between the Province's records and Commission's records is ongoing.

- Staff has begun transaction checks on amendment applications to determine if the proposed amendment has occurred.
- Commission Vice-Chair and staff had preliminary discussions with the Provincial coordinator for the implementation of the Thompson Report.
- Commission staff reviews the Frequently Asked Questions on a regular basis and this past year added information concerning Global Lease Permits as well as comments on the enforcement of the *Lands Protection Act*.

Objectives 2012-2013

Commission staff shall:

- Continue, if the Department is agreeable, to meet with Departmental staff in both the Planning and Sub-division approval areas.
- Continue the project of reconciliation of the non-resident owned acres in the Province.
- Work with the Commissioner to be appointed to review certain areas of the *Lands Protection Act*.
- Request and coordinate a meeting of the Commission to review the Guiding Principles for Implementation of *Lands Protection Act* which were last amended in 2008.

3. Divisional

Objectives 2012-2013

- The Commission will continue to strive to provide opportunities for staff to participate in training and development. Staff will also be provided with in-house training sessions that are relevant to their responsibilities and duties.

FINANCIAL DATA

Section 17 of the *Island Regulatory and Appeals Commission Act* states:

> *"The Executive Committee shall appoint an auditor to audit the accounts and financial transactions of the Commission."*

Financial Statements of

PRINCE EDWARD ISLAND REGULATORY AND APPEALS COMMISSION

Year ended March 31, 2012

Tel: 902 892 5365
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BDO Canada LLP
155 Belvedere Avenue, Suite 200
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Charlottetown PE C1A 8B9 Canada

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of Prince Edward Island Regulatory and Appeals Commission

We have audited the accompanying financial statements of Prince Edward Island Regulatory and Appeals Commission which comprise the statements of financial position as at March 31, 2012, March 31, 2011, and April 1, 2010 and the statements of operations, change in net financial assets and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2012 and the results of its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Charlottetown, Prince Edward Island
June 28, 2012

PRINCE EDWARD ISLAND REGULATORY AND APPEALS COMMISSION

Statement of Financial Position

	March 31, 2012	March 31, 2011	April 1, 2010
Financial Assets			
Cash (note 3)	$ 109,140	$ 114,607	$ 59,336
Accounts receivable (note 4)	217,392	72,157	69,456
Investments (note 5)	1,376,515	1,080,057	793,994
	1,703,047	1,266,821	922,786
Liabilities			
Accounts payable and accrued liabilities (note 6)	212,500	220,777	170,004
Deferred revenue (note 7)	625,639	232,934	-
Employee future benefits (note 8)	450,264	384,250	349,873
	1,288,403	837,961	519,877
Net financial assets	414,644	428,860	402,909
Non-financial Assets			
Prepaid expenses	385	280	357
Tangible capital assets (page 12)	82,895	68,784	94,658
Accumulated surplus (note 11)	$ 497,924	$ 497,924	$ 497,924

Commitment (note 9)

On Behalf of the Commission:

Chairman

PRINCE EDWARD ISLAND REGULATORY AND APPEALS COMMISSION

Statement of Operations

Year ended March 31, 2012, with comparative figures for 2011

	2012 Budget (note 12)	2012	2011
Revenue:			
Assessment - Province of PEI	$ 1,385,900	$ 1,400,300	$ 1,308,400
Assessments on public utilities	458,000	462,256	458,307
Licenses - petroleum products	265,000	286,490	269,717
Permits - land and property division	155,000	335,439	217,173
Assessments on auto insurance	185,000	185,286	185,377
Investment and other income	23,400	35,483	30,723
Lands Protection Act penalties	6,000	15,000	6,000
	2,478,300	2,720,254	2,475,697
Expenses:			
Advertising	20,000	11,430	16,536
Amortization	48,313	72,150	95,070
Cleaning	10,000	8,096	8,096
Computer maintenance and supplies	44,000	41,149	41,625
Education and development	45,000	17,415	17,610
Insurance	11,000	11,028	10,148
Office and supplies	41,200	24,920	25,902
Part-time commissioners	50,500	40,956	43,337
Postage	5,750	3,578	4,027
Professional fees	193,000	75,085	105,520
Publications	19,500	17,610	14,334
Rent	200,000	182,090	181,612
Salaries and employee benefits	1,824,309	1,739,915	1,603,330
Telephone	19,500	15,810	17,236
Travel	74,000	66,317	58,380
	2,606,072	2,327,549	2,242,763
Excess of revenue over expenses (expenses over revenue) before the undernoted	(127,772)	392,705	232,934
Transfer to deferred revenue (note 7)	-	(392,705)	(232,934)
Annual surplus (deficit)	(127,772)	-	-
Accumulated surplus, beginning of year	497,924	497,924	497,924
Accumulated surplus, end of year	$ 370,152	$ 497,924	$ 497,924

The accompanying notes are an integral part of these financial statements.

PRINCE EDWARD ISLAND REGULATORY AND APPEALS COMMISSION

Statement of Change in Net Financial Assets

Year ended March 31, 2012, with comparative figures for 2011

	2012 Budget (note 12)	2012	2011
Annual surplus (deficit)	$ (127,772)	$ -	$ -
Acquisition of tangible capital assets	(85,000)	(86,261)	(69,196)
Amortization of tangible capital assets	48,313	72,150	95,070
Acquisition of prepaid expenses	-	(105)	-
Use of prepaid expenses	-	-	77
Increase (decrease) in net financial assets	(164,459)	(14,216)	25,951
Net financial assets, beginning of year	428,860	428,860	402,909
Net financial assets, end of year	$ 264,401	$ 414,644	$ 428,860

The accompanying notes are an integral part of these financial statements.

PRINCE EDWARD ISLAND REGULATORY AND APPEALS COMMISSION

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash flows from operating activities:		
Cash receipts from government transfers and customers	$ 2,548,658	$ 2,451,296
Cash paid to suppliers and employees	(2,197,768)	(2,062,467)
Interest received	26,362	21,701
	377,252	410,530
Cash flows from capital activities:		
Purchase of tangible capital assets	(86,261)	(69,196)
Cash flows from investing activities:		
Increase in investments	(296,458)	(286,063)
Increase (decrease) in cash position	(5,467)	55,271
Cash, beginning of year	114,607	59,336
Cash, end of year	$ 109,140	$ 114,607

The accompanying notes are an integral part of these financial statements.

PRINCE EDWARD ISLAND REGULATORY AND APPEALS COMMISSION

Notes to Financial Statements

Year ended March 31, 2012

The Commission is incorporated under the Island Regulatory and Appeals Commission Act of Prince Edward Island. The Commission is primarily engaged in the general supervision of public utilities, petroleum distributors, land and property appeals, Office of the Director of Residential Rental Property, auto insurance rate regulation and the hearing of appeals for property and sales tax disputes. The Commission is also responsible for recommending decisions under the Lands Protection Act. The Commission is a non-taxable entity under the provisions of the Income Tax Act.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements of Island Regulatory and Appeals Commission are the representations of management prepared in accordance with Canadian public sector accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(b) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts directly attributable to acquisition or construction of the tangible capital assets. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Asset	Rate
Furnishings and equipment	5 years
Computer equipment	3 years

1. **Significant accounting policies (continued):**

(c) Vacation pay and severance allowance:

Vacation pay is recorded as a liability when earned. Severance allowances are recognized when the employee meets the eligibility criteria.

(d) Government transfers:

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates on the amounts can be determined.

(e) Pension costs:

Employees of the Commission belong to the Civil Service Superannuation plan which is a multi-employer contributory defined benefit pension plan and is accounted for as a defined contribution plan. Employees' contributions and matching employer's contributions are transferred to the Civil Service Superannuation Fund. These contributions are expensed as incurred. Future actuarial liabilities assumed by the Province of Prince Edward Island are not reflected in these financial statements.

(f) Investments:

Investments consist of Guaranteed Investment Certificates and are recorded at cost plus accrued interest.

(g) Revenue recognition:

All revenues other than investment income are recorded in the period in which the transactions or events that give rise to the revenues occur. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the Commission discharges the obligations that led to the collection of funds. Investment income is recorded in the period in which the interest is earned.

1. **Significant accounting policies (continued):**

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

(i) Wage assistance:

The Commission records any wage assistance received as a reduction of the applicable salary expense. During the year, the Commission received $ Nil. (2011 - $ 19,492.) in wage assistance.

2. **First-time adoption:**

Effective April 1, 2011, the Commission adopted the requirements of the Public Sector Accounting Board Handbook (PSAB). These are the Commission's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations, have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 - Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2012, the comparative information presented in these financial statements for the year ended March 31, 2011, and in the preparation of an opening PSAB balance sheet at the date of transition of April 1, 2010.

The Commission issued financial statements for the year ended March 31, 2011 using Canadian generally accepted accounting principles prescribed by the Canadian Institute of Chartered Accountants Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB resulted in no adjustments to the previously reported assets, net income and cash flows of the Commission.

The original presentation of funds and reserves in the financial statements issued for the year ended March 31, 2011 have been reclassified and presented as part of accumulated surplus in the comparative financial statements. This meets the requirements of Public Sector Guideline PSG-4 which requires funds and reserves to be included with accumulated surplus.

3. Cash:

	2012	2011
Cash	$ 103,356	$ 109,896
Cash held in trust for deposit guarantees	5,784	4,711
	$ 109,140	$ 114,607

4. Accounts receivable:

	2012	2011
Trade	$ 209,177	$ 60,101
Employees	8,215	12,056
	$ 217,392	$ 72,157

5. Investments:

Investments consist of Guaranteed Investment Certificates invested at the Bank of Nova Scotia with interest rates ranging from 1.54% to 2.4% and maturity dates ranging from June 2011 to April 2014.

6. Accounts payable and accrued liabilities:

	2012	2011
Trade	$ 103,376	$ 124,362
Vacation pay	103,340	91,704
Deposit guarantees - Director of Residential Rental Property	5,784	4,711
	$ 212,500	$ 220,777

7. Deferred revenue:

Pursuant to a three-year provincial assessment agreement entered into with the Province of Prince Edward Island, the Commission has agreed to refund to the Province of Prince Edward Island, at the end of the agreement, the accumulated surplus, if any, for the years ended March 31, 2011, 2012, and 2013.

8. Employee future benefits:

Certain employees are eligible for severance pay and retiring pay as defined by the Collective Bargaining Agreement with the Government of Prince Edward Island. This plan provides severance pay and retiring pay to employees who meet the eligibility requirements outlined in the Agreement. The severance pay entitlement is equal to two weeks of pay for each year of service and the retiring pay entitlement is equal to one week of pay for each year of service.

During the year, the Commission accrued $ 66,014. (2011 - $ 34,377.) to the severance plan on behalf of certain employees. These amounts are included in salaries and employee benefits in the Statement of Operations.

9. Commitment:

The Commission has an operating lease for its premises at $ 14,981. per month plus common area charges, under a lease expiring March 31, 2022.

The minumum annual lease payment to the expiry date is $ 179,772.

10. Pension costs and obligations:

Certain employees of the Commission participate in the multi-employer contributory defined benefit pension plan as defined by the Civil Service Superannuation Act. This plan provides a pension on retirement based on two percent of the average salary for the highest three years times the number of years of pensionable service. The Plan is adminstered by the Province of Prince Edward Island and the responsibility for any unfunded liability is that of the Province. As at March 31, 2012, the net pension surplus of the Civil Service Superannuation Fund was $ 12.212 million (2011 - $ 26.705 million).

During the year, the Commission contributed $ 117,001. (2011 - $ 110,341.) to the defined benefit pension plan on behalf of certain employees. These amounts are included in salaries and employee benefits in the Statement of Operations.

11. Accumulated surplus:

The Commission segregates its accumulated surplus in the following categories:

	2012	2011
Reserve	$ 192,049	$ 192,049
Operating fund	222,980	237,091
Capital fund	82,895	68,784
	$ 497,924	$ 497,924

Capital fund:

The capital fund represents amounts already spent and invested in tangible capital assets.

Reserve:

At the end of the 2007 Provincial Assessment Agreement with the Government of Prince Edward Island, there was $ 192,049. of accumulated surplus that is to be held as a reserve by the Commission. This reserve will be used to cover net costs exceeding the annual assessments from April 1, 2010 to March 31, 2013. The amount remaining from this reserve at March 31, 2013 shall be returned to the Province unless the Province and the Commission subsequently agree that it is to be retained as a reserve or used to defray costs associated with future agreements.

12. Budget:

A reconciliation of the 2012 fiscal operating budget prepared by the Commission to the budget figures disclosed in the financial statements is as follows:

		2012
Commission budgeted annual surplus	$	212,211
Less:		
Reserves recognized as revenue		(192,049)
Deferred revenue recognized as revenue		(232,934)
Add:		
Capital expenditures		85,000
	$	(127,772)

PRINCE EDWARD ISLAND REGULATORY AND APPEALS COMMISSION

Schedule of Tangible Capital Assets

Year ended March 31, 2012, with comparative figures for 2011

	Cost Beginning of Year	Additions	Disposals and Write-downs	Cost End of Year	Accumulated Amortization Beginning of Year	Disposals and Write-downs	Amortization	Accumulated Amortization End of Year	Net Book Value 2012	Net Book Value 2011
Furnishings and equipment	$ 16,366	$ 14,365	$ (12,608)	$ 18,123	$ 15,209	$ (12,608)	$ 3,624	$ 6,225	$ 11,898	$ 1,157
Computer equipment	263,510	71,896	(129,825)	205,581	195,883	(129,825)	68,526	134,564	70,997	67,627
	$ 279,876	$ 86,261	$ (142,433)	$ 223,704	$ 211,092	$ (142,433)	$ 72,150	$ 140,809	$ 82,895	$ 68,784

ASSESSMENTS

Revenue is generated through the following fees for each Division:

1. Land

Applications under the *Lands Protection Act* for purchase of property by non-residents:

- Minimum of $550.00 or 1% of the agreed purchase price, whichever is greater.

2. Residential Rental Property

Applications filed pursuant to the *Rental of Residential Property Act*:

❖ Rent owing filed by a Lessor (pursuant to Section 8 of the *Act*)	$30.00
❖ Rent increase (pursuant to Section 23(3) of the *Act*)	
Two units or less	$25.00
Three or more units	$75.00
❖ All other applications by a Lessor or Lessee	$10.00

3. Technical and Regulatory Services

Petroleum

Revenues earned in the Petroleum section for this fiscal year were derived from the fees for licenses issued under the *Petroleum Products Act*, together with other related charges as set out in the schedule that follows on page 34:

(i) Wholesale Distribution License—Initial $1,500.00

(ii) Wholesale Distribution License—Renewal
Based on Total Annual Sales Volume for the Year Preceding the Current License Year (in Litres)

ASSESSMENT SCALE Annual Volume Range (in Litres)			ASSESSMENT RATE
0	-	2,500,000	$3,025.00
2,500,001	-	5,000,000	$6,050.00
5,000,001	-	15,000,000	$9,075.00
15,000,001	-	30,000,000	$12,100.00
(Over 30,000,000 - $12,100.00, plus $3,025.00 for each additional 15,000,000 or portion thereof)			

(iii) Wholesale Distribution License—Supply of 20 lb. Cylinders to Propane Exchange Centres—Initial and Renewal $500.00

(iv) Outlet License—Retail Distributor—Initial $1,500.00

(v) Outlet License—Retail Distributor—Renewal
Based on Total Sales Volume for Previous Year (in Litres)

ASSESSMENT SCALE Annual Volume Range (in Litres)			ASSESSMENT RATE
Minimum			$300.00
1,000,001	-	2,000,000	$400.00
2,000,001	-	3,000,000	$500.00
3,000,001	-	4,000,000	$600.00
4,000,001	-	5,000,000	$700.00
5,000,001	-	6,000,000	$800.00
6,000,001	-	7,000,000	$900.00
7,000,001	-	8,000,000	$1,000.00
8,000,001	-	9,000,000	$1,100.00
9,000,001	-	10,000,000	$1,200.00
10,000,001	-	20,000,000	$1,500.00
20,000,001	-	50,000,000	$1,750.00
Over 50,000,000			$4,000.00

(vi) Outlet License—Tank Truck—Initial and Renewal (Including Consumer Propane Cylinder Delivery Trucks) $125.00

(vii) Outlet License—Consumer Outlet—Initial $200.00

(viii) Outlet License—Consumer Outlet—Renewal
Based on Total Sales Volume for Previous Year (in Litres)

ASSESSMENT SCALE Annual Volume Range (in Litres)			ASSESSMENT RATE
0	-	500,000	$100.00
500,001	-	1,000,000	$200.00
1,000,001	-	2,000,000	$400.00
2,000,001	-	3,000,000	$600.00
3,000,001	-	4,000,000	$800.00
4,000,001	-	5,000,000	$1,000.00
5,000,001	-	6,000,000	$1,200.00
6,000,001	-	7,000,000	$1,400.00
7,000,001	-	8,000,000	$1,600.00
For each additional million			$200.00

(ix) Outlet License—Cardlock/Keylock Facilities—Initial $200.00

(x) Outlet License—Cardlock/Keylock Facilities—Renewal
Based on Total Sales Volume for Previous Year (in Litres)

ASSESSMENT SCALE Annual Volume Range (in Litres)			ASSESSMENT RATE
0	-	1,000,000	$200.00
1,000,001	-	2,000,000	$400.00
2,000,001	-	3,000,000	$600.00
3,000,001	-	4,000,000	$800.00
4,000,001	-	5,000,000	$1,000.00
For each additional million			$200.00

(xi) Outlet License—Propane Exchange Centres Only—Initial and Renewal $50.00

(xii) Outlet License—Propane Refill Centres—Campgrounds Only—Initial and Renewal $50.00

(xiii) Aviation Fuel Depot $500.00

(xiv) Licenses Issued After October 1 Each Year 50% of Applicable License Fee (Minimum $35.00)

(xv) Fee for the Re-Issue or Amendment of any License During the Term of its Validity $35.00

(xvi) Administrative Fee for the Cancellation of any Unused License $35.00

4. Public Utilities

Water and Sewer

Utility assessments are levied by the Commission, pursuant to Section 15 of *the Island Regulatory and Appeals Commission Act*. Assessment rates for this period were determined by the utility's 2010 revenues in accordance with the following scale.

REVENUE RANGE ($)	ASSESSMENT RATE 2010-11	% CHANGE	ASSESSMENT RATE 2011-12
0 - 5,000	$275.63	0.00%	$275.63
5,001 - 10,000	$441.00	0.00%	$441.00
10,001 - 50,000	$716.63	0.00%	$716.63
50,001 - 100,000	$1,102.50	0.00%	$1,102.50
100,001 - 250,000	1.23480%	0.00%	1.23480%
250,001 - 500,000	1.21275%	0.00%	1.21275%
500,001 - 750,000	1.19070%	0.00%	1.19070%
750,001 - 1,000,000	1.16865%	0.00%	1.16865%
1,000,001 - 1,250,000	1.14660%	0.00%	1.14660%
1,250,001 - 1,500,000	1.12455%	0.00%	1.12455%
1,500,001 - 1,750,000	1.10250%	0.00%	1.10250%
1,750,001 - 2,000,000	1.08045%	0.00%	1.05840%
2,000,001 - 2,500,000	1.05840%	0.00%	1.05840%

Electric

The annual power assessment for Maritime Electric Company, Limited is levied by the Commission, pursuant to Section 15 of the *Island Regulatory and Appeals Commission Act*.

The assessment for the City of Summerside Electric Utility is determined by the Lieutenant Governor in Council, pursuant to Section 46(2)(a) of the Electric Power Act.

Automobile Insurance

The Commission levies annual assessments to all automobile insurers operating in the Province, pursuant to section 258.2 (3) of the *Insurance Act* and section 15 of the *Island Regulatory and Appeals Commission Act*.

Assessment amounts are based on insurers' reported proportionate premium income levels.

LANDS PROTECTION ACT

The Commission is responsible for the general administration of the *Lands Protection Act*, including making recommendations to Government on applications for land purchases governed by the *Act*, monitoring the land holdings of large land owners and enforcing the *Act*.

To learn more about the *Lands Protection Act*, visit our website at www.irac.pe.ca/land.

LANDS PROTECTION – APPLICATIONS

Non-Resident Applications

During the reporting period, the Commission considered eighty-three (83) applications from non-residents totaling 4,764.13 acres. Forty-three (43) applications with shore frontage totaling approximately 50,619.48 feet were included in the non-resident applications.

Of those applications, the Commission recommended that the Lieutenant Governor in Council deny five (5) non-resident applications.

Those applications involved 1,360.4 acres of land.

The Commission recommended that three (3) applications be denied because the parcels were not "suitably advertised" on the local real estate market. The Commission believes that residents of the province should have the opportunity to compete for land prior to non-residents being given permission to acquire it.

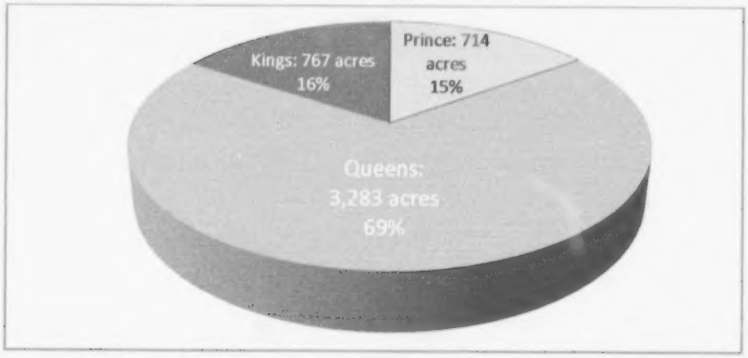
The Commission recommended that one application be denied because the parcel was not "suitably advertised" and the applicant already owned considerable land in the province.

The Commission recommended denial for one application from a shareholder of a non-resident corporation due to the high level of non-resident ownership in the area, and the parcel was not "suitably advertised" on the local real estate market.

The Lieutenant Governor in Council disagreed with the Commission's recommendations for two of the five applications and approved them.

The Commission is responsible for making recommendations to the Lieutenant Governor in Council on all applications by non-residents and corporations applying to acquire an interest in land pursuant to the *Lands Protection Act*.

Non-Resident Applications



Corporate Applications — Resident

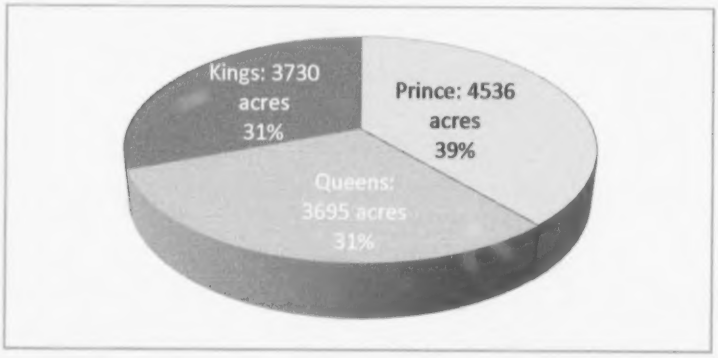
During this same period, the Commission considered two hundred and four (204) applications involving 11,960.74 acres of land from resident corporations. Thirty-three (33) applications with shore frontage totaling approximately 52,753.99 feet were included in the resident corporate applications.

Of those applications, the Commission recommended that the Lieutenant Governor in Council deny two (2) resident corporate applications.

Those applications involved 5.93 acres of land.

The Commission recommended denial for the two applications because it was concerned about the development of residential subdivisions in rural areas of the province and on the periphery of incorporated communities. The Commission believed that the residential subdivision was not the best use of the land. The Lieutenant Governor in Council agreed with the Commission's recommendations and denied the applications.

Corporate Applications – Resident



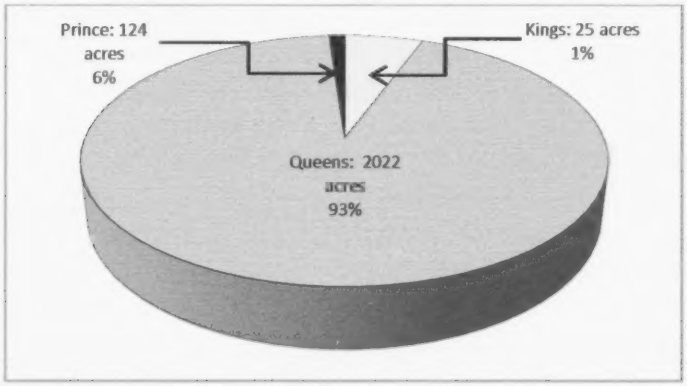
Corporate Applications — Non-Resident

Thirty-seven (37) applications involving 2,171.13 acres of land were considered from non-resident corporations. Five (5) applications with shore frontage totaling approximately 15,996 feet were included in the corporate non-resident applications.

The Commission recommended that one application involving 1,208.77 acres and 10,305 feet of shore frontage be denied. The parcels were not "suitably advertised" on the local real estate market and the Commission believes that residents of the province should have the opportunity to compete for land prior to a non-resident corporation being given permission to acquire it. As well, the parcels were located in an area of the province with significantly high non-resident ownership, specifically concentrated on the shore.

The Lieutenant Governor in Council disagreed with the Commission's recommendation and approved the application subject to identification.

Corporate Applications – Non-Resident



Applications by County – Lands Protection Act

	PRINCE COUNTY		QUEENS COUNTY		KINGS COUNTY		TOTAL PROVINCE	
Type of Application	**#**	**Acreage**	**#**	**Acreage**	**#**	**Acreage**	**#**	**Acreage**
Non-Resident	26	714.26	35	3,283.34	22	766.53	**83**	**4,764.13**
Corporate—Resident	80	4,535.54	86	3,695.45	38	3,729.75	**204**	**11,960.74**
Corporate—Non-Resident	9	124.36	27	2,021.98	1	24.79	**37**	**2,171.13**
TOTAL	**115**	**5,374.16**	**148**	**9,000.77**	**61**	**4,521.07**	**324**	**18,896.00**

Global Leasing Applications — Non-Resident and Corporate

During 2011-12 seventeen (17) applications involving 12,760.82 acres of land were considered and approved.

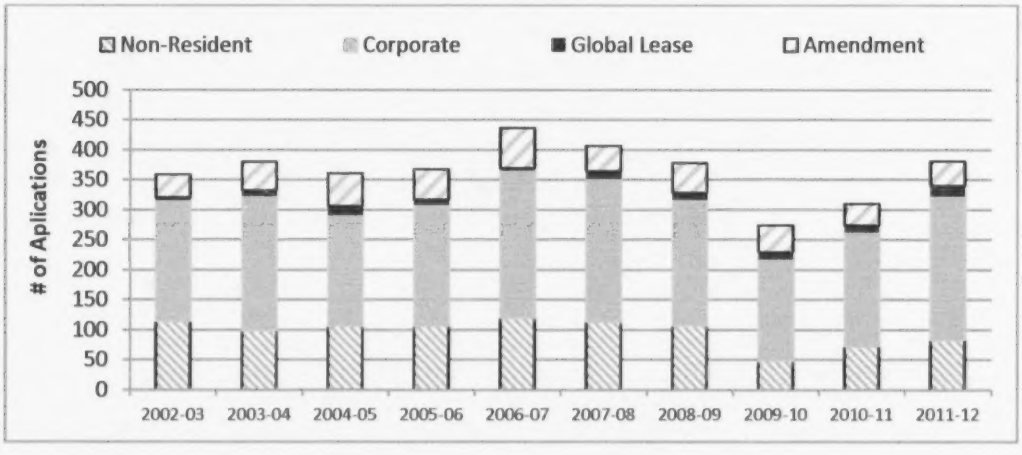
Applications to Cancel, Suspend or Amend Conditions

The Commission is also responsible for receiving applications to cancel, suspend or amend any condition, including the condition that the land be identified for non-development use, imposed under subsection 9(1) or 21(1) of the *Act*. The Commission then submits a report respecting the disposition of each application to the Minister of Finance and Municipal Affairs who makes a recommendation on the disposition of the application to the Lieutenant Governor in Council.

During the reporting period, forty (40) applications involving 340.38 acres were considered. Two (2) applications involving 4.01 acres were denied, one application involving 35 acres was denied in part and the rest were approved with varying conditions.

Summary

Below is a summary of the applications approved under the *Lands Protection Act* during 2011-12.



LANDS PROTECTION – OTHER

Annual Disclosure Process

The disclosure statements are filed pursuant to the provisions of subsection 10(2) of the *Act* which states:

> *"Without prejudice to subsection (1), any person or corporation having an aggregate land holding in excess of the limit specified in subsection (1) shall, not later than December 31 of each year, file a disclosure statement with the Commission."*

For the year 2011, the Commission received a total of one hundred and fifty-eight (158) land holding disclosure statements, of which twenty-nine (29) statements were filed by corporations and one hundred and twenty-nine (129) filed by persons.

The Land Identification Program

Non-development use means use for purposes, including forestry, wildlife, agriculture, recreation, permanent or seasonal residence, that do not involve commercial or industrial development or subdivision.

The Commission's involvement in this program pertains to acquisitions by non-residents and corporations. The Commission is responsible for making recommendations to the Lieutenant Governor in Council on the disposition of applications including recommendations whether the land should be identified.

Under the *Lands Protection Act*, a person having an aggregate land holding in excess of 750 acres or a corporation having an aggregate land holding in excess of 2,250 acres is required to file an annual land holding disclosure statement with the Commission.

The objective of the Land Identification Program is to preserve land for resource use by identifying it for non-development use.

All Applications – Land Identification Program
Acreage Identified for Non-Development Use – 2002 to 2012

Type of Application	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12
Non-Resident	2,167	1,392	2,797	2,411	1,791	2,234	2,269	1,085	821	1,834
Corporate	15,156	9,394	4,804	6,049	5,174	5,207	0	4,847	4,146	5,862
TOTAL ACRES	**17,323**	**10,786**	**7,601**	**8,460**	**6,965**	**7,441**	**2,269**	**5,931**	**4,967**	**7,696**

The Commission places an emphasis on the identification of land for non-development use when it considers applications by non-residents and corporations for land acquisition. Special attention is paid to applications for acquisition of coastal land, active agricultural land, speculative land transactions and land intended for subdivision.

The Commission believes that this program is particularly important to preserve the Province's resource land base from premature and non-sustainable development, given the lack of a land use plan in much of the rural area of the Province. The program assists in ensuring that land will be available for the resource sector in the future.

During the reporting period, 7,696.05 acres were approved subject to identification for non-development use as a result of non-resident, non-resident corporate and resident corporate applications considered under the *Act*. The acreage identified represents approximately 33% of the total acreage considered by the Commission during the reporting period.

It is important to note that the above figure represents the acreage that is identified only when the transaction between the vendor and applicant occurs. Due to various factors including transactions not proceeding and alterations of the identification agreement, this figure represents the maximum acreage in the province that could possibly be identified.

Exemption for Environmentally Significant Class of Land

In 2009, Executive Council enacted an exemption regulation for environmentally significant class of lands. Section 35 of the *Lands Protection Act* Exemption Regulations provides for an exemption from Section 2 of the *Lands Protection Act*.

During this reporting period, Commission staff received eight (8) applications for exemption pursuant to Section 35, processed six (6) of those and is waiting for additional information from the applicant for the remaining two (2).

Information and Monitoring System

The Commission's computerized land information system contains information on applications filed with the Commission and the Land Use Commission dating back to 1977. The database also tracks persons and corporations that file annual land holding disclosure statements. This system allows the Commission to access information more quickly and efficiently when reviewing applications, conducting research and responding to public inquiries.

The Commission has provided access to certain information, pertaining to corporate and non-resident applications, to the general public through the Commission's website for the last several years. This allows applicants and others who may have an interest in a particular application to follow its progress from the time it is filed until a decision is rendered. The Commission has expanded the relevant information now available to the public by adding a map showing the subject parcel.

The Commission continues to access property information and mapping through GeoLinc and the Department of Provincial Treasury's assessment records system, and uses a computerized mapping program called MapInfo to conduct research and studies relating to land matters. Up to date data is downloaded from the provincial database on a weekly basis.

During this reporting period, the Commission has completed development of a database to track environmentally significant lands exempted from section 2 of the *Lands Protection Act* pursuant to Section 35 of the *Lands Protection Act* Exemption Regulations.

Enforcement

Contraventions of the *Lands Protection Act* are handled on a case-by-case basis. When a contravention of sections 2, 4, 5 or 5.3 of the *Act* occurs, pursuant to subsection 15.1(1), the Commission may impose a penalty of not more than $10,000.00 on any person or Corporation that has contravened.

During 2009-2010, the Commission embarked on a contravention penalty process in an effort to reduce the number of contraventions under the *Act*. In the current reporting period, the process is fully operational and the Commission has issued thirteen (13) penalty orders. The majority of those contraventions involved corporations or persons acquiring an interest in land prior to receiving approval to do so.

When contraventions are not fully disclosed by the contravening party, pursuant to subsection 15(1) of the *Act*, the Commission may request information and conduct an investigation for the purpose of determining whether a person or corporation has contravened the *Act* or the regulations. No investigations were launched during this reporting period.

Over the past several years, the Commission has become increasingly concerned about the number of incidences in which arrangements have been used to hold land for non-resident persons. The Commission notes that it is unaware of any exceptions or legal opinions in respect of exceptions to the *Lands Protection Act* allowing for such arrangements and thus, these arrangements will continue to be dealt with as a circumvention of the *Lands Protection Act*.

Municipal Boundary Extensions

The Commission is responsible for conducting public hearings with respect to municipal boundary extensions. Pursuant to subsection 12(1) of the *Municipalities Act*:

> *"12(1) Where a municipality wishes to extend its boundaries to include an area for which no municipal government is provided under this Act, it may apply to the Minister for approval of the annexation of that area."*

Pursuant to subsection 13(1), upon receipt of such application, the Minister shall direct the Commission to conduct a public hearing and make a recommendation to the Minister on the disposition of such application.

On October 28, 2011, the Minister referred an application to extend the municipal boundaries of the Community of Tignish to the Commission. The hearing of this application was held on December 13, 2011. The Commission's report to the Minister was sent on January 16, 2012. On March 8, 2012, the Minister advised the Community of Tignish that Executive Council had approved the requested boundary extension, effective March 3, 2012.

REGULATORY FUNCTIONS

Petroleum

Petroleum regulation in Prince Edward Island is governed by the *Petroleum Products Act,* R.S.P.E.I. 1988, Cap. P-5.1. The purpose of the *Act* is set out in Section 2, which reads as follows:

> *"The purpose of this Act is to regulate the distribution and sale of petroleum products within the Province of Prince Edward Island for use within the province, and the type, location, and operation of facilities and equipment associated therewith, and to ensure at all times a just and reasonable price for heating fuel and motor fuel to consumers and licensees within the province."*

In addition, the Commission is required, when dealing with applications for annual renewal of all licenses, to consider whether the licensee is in a position to ensure an adequate supply of product during the coming year, the quantity of petroleum products sold in the previous year and the quality of service which the outlet renders to the community in which it is situated. The Commission expects to receive a minimum of three months' notice, especially in the case of wholesaler-owned outlets, of an intention to close a licensed outlet or remove a licensed service. Wholesale licenses bear the following condition:

> *"It is a condition of this license that the licensee shall maintain the level and type of service offered as of the date of this license, and shall not interrupt the supply of petroleum products and related services to retailers and consumers, unless prior written approval has been obtained from the Commission."*

It is an important principle in regulation that, when a license is issued under the *Act*, a licensee cannot service customers selectively nor can a licensee arbitrarily discriminate against certain customers. It is a requirement of the Commission that products and services be provided in accordance with the class of license issued as prescribed by section 63 of the *Act*.

The Commission administers the *Petroleum Products Act*. The Act sets forth the requirements for the licensing of petroleum outlets in Prince Edward Island and the determination of just and reasonable wholesale and retail prices.

Current and archived pricing information on all products is available on the Commission's website at www.irac.pe.ca/petrol

Summary of Petroleum Licenses Issued

	wholesalers	retail outlets	retail distributors	tank trucks	TOTAL
2011	19	199	17	83	**318**
2010	20	198	16	81	**315**
2009	16	208	16	84	**324**
2008	14	209	16	84	**323**
2007	13	215	16	83	**327**
2006	14	205	18	88	**325**
2005	13	208	17	90	**328**
2004	13	211	19	92	**335**
2003	12	204	23	84	**323**
2002	12	209	28	90	**339**

NOTE: In addition to the above licenses, Slemon Park Corporation has been licensed since 1992 with respect to the sale of aviation fuels.

Under the *Act*, no wholesaler or wholesaler-retailer shall bring into the province, cause another to bring into the province or distribute within the province, any petroleum product unless that wholesaler or wholesaler-retailer holds a license authorizing such activities. The *Act* also provides that no retailer, wholesaler or wholesaler-retailer shall sell or furnish any petroleum product or keep any petroleum product for sale at an outlet unless that retailer, wholesaler or wholesaler-retailer is the holder of a license with respect to each such outlet, and then only as specified in the license and subject to the *Act* and Regulations.

In the area of petroleum licensing, Section 20 of the *Act* requires that the Commission, when issuing a retailer's license, consider the public interest, convenience and necessity by applying such criteria as the Commission may from time to time consider advisable. This includes, but is not restricted to, a consideration of the demand for the proposed service, the location of the outlet, traffic flows and the applicant's record of performance.

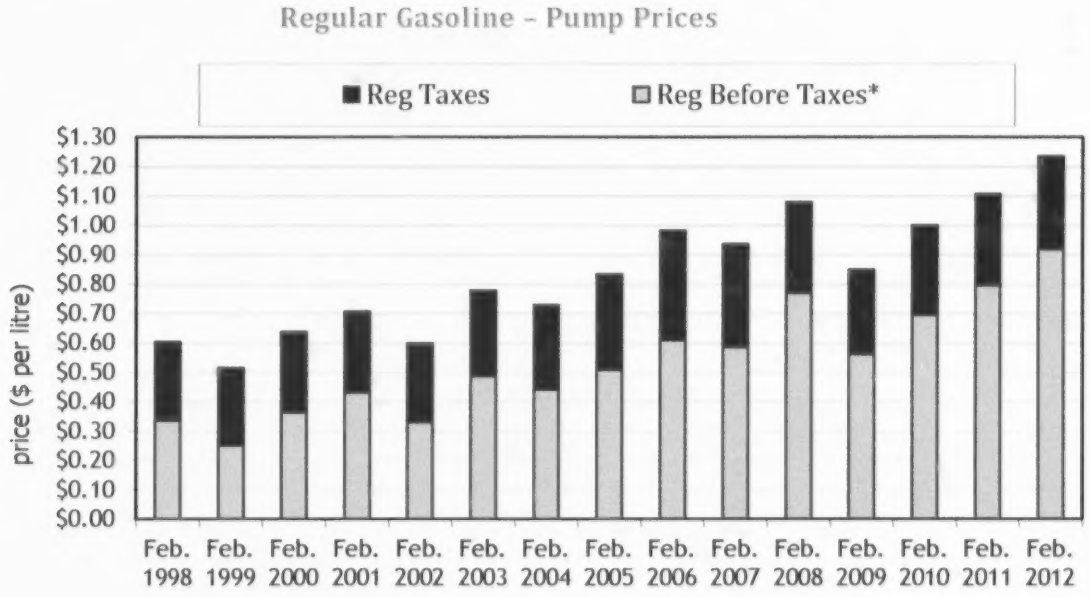
Petroleum Retail Outlets by Classification

	stations*	merchants	garages	marine	propane only	TOTAL
2011	20	69	5	57	48	**199**
2010	20	68	5	57	48	**198**
2009	20	71	5	62	50	**208**
2008	22	72	5	62	48	**209**
2007	24	73	6	69	43	**215**
2006	31	70	6	67	31	**205**
2005	34	68	6	70	30	**208**
2004	38	68	6	74	25	**211**
2003	38	70	6	73	17	**204**
2002	41	69	6	74	19**	**209**

* Includes Commercial Diesel Cardlock until 2002
** Includes 12 newly licensed as propane exchange centres only

The following 19 wholesalers were licensed under the *Act* to do business in this Province during this reporting period: Ultramar Ltd., Shell Canada Products, Imperial Oil Limited, Irving Oil Commercial G.P., Irving Oil Marketing G.P., Highlands Fuel Delivery G.P. (dba Irving Energy Distribution and Marketing), Suncor Energy Products Partnership (dba Petro-Canada), Co-op Atlantic, Wilson Fuel Co. Limited, XTR Energy Company Limited, Parkland Industries Ltd. (dba Bluewave Energy Ltd. and Island Petroleum), Superior Plus Inc. (dba Superior Propane), Kenmac Energy Inc., Lakeshore Fuels Inc., Supreme Tank Incorporated, 3260859 Nova Scotia Limited Trustee (dba Sobeys Atlantic Fuel Co.), Mansfield Oil Company of Gainesville Inc., Service D'Echange Rapidgaz Inc. (dba Rapidgaz) and Royal Propane & Hearth Inc.

In the area of petroleum pricing, the Commission's legislative mandate requires that it ensure a just and reasonable price for heating and motor fuels to consumers and licensees within the Province. In addition to dealing with individual applications for price changes to wholesalers' dealer and posted consumer prices, the Commission monitors available pricing information from local, national and international sources.



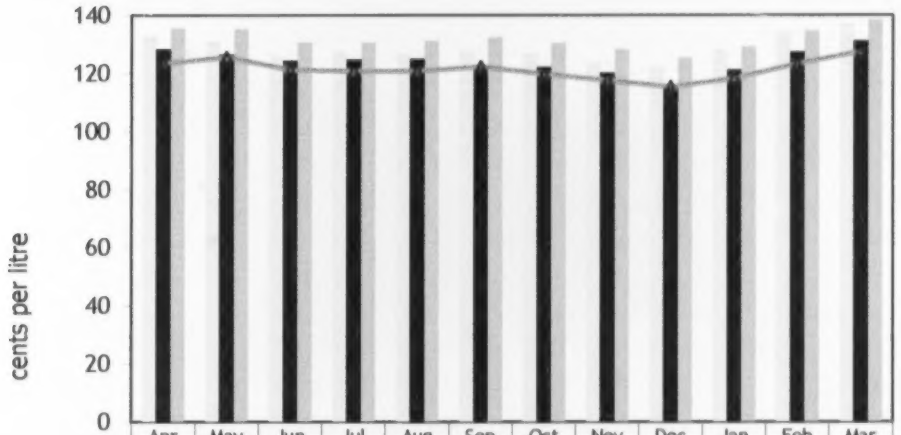
*Includes average dealer markup of 5.5 cent per litre

The Commission also has the responsibility of determining retailers' minimum and maximum markups. During the period covered by this report, the authorized markups ranged from 4.5 to 6.5 cents per litre at self-serve pumps, and from 6.5 to 9.5 cents per litre at full-serve pumps. An Order issued by the Commission on March 29, 2012 authorized markups ranging from 5.5 to 6.5 cents per litre at self-serve pumps, and from 7.5 to 10.5 cents per litre at full-serve pumps, effective April 1, 2012. In addition, the markup selected by a dealer for each method of dispensing must be consistently applied to each grade of gasoline sold or offered for sale at the

outlet. At split-serve outlets, diesel fuel and each grade of gasoline sold at self-serve pumps must be priced at least 2.0 cents lower than the prices at which full-serve diesel fuel and each grade of gasoline are being offered for sale.

The following schedule compares regional regular unleaded gasoline prices during this reporting period.

Regular Unleaded Gasoline Prices – Atlantic Region



	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012
Halifax	133.0	131.2	126.3	127.6	126.9	127.9	126.6	124.1	122.0	128.5	134.1	137.3
Fredericton	128.5	126.6	124.4	124.9	125.0	122.0	122.2	120.2	114.6	121.2	127.4	131.2
St. John's	135.6	135.4	130.9	130.6	131.3	132.4	130.4	128.5	125.5	129.3	134.9	138.5
Charlottetown	123.6	125.7	121.4	120.9	120.9	122.4	119.9	117.7	115.4	118.4	123.4	127.6

All petroleum product price changes authorized by the Commission are the subject of public notice. Current and archived pricing information on all products is available on the Commission's website at www.irac.pe.ca.

During the period covered by this report, the Commission issued 48 formal Orders relating to petroleum regulation.

Following is additional statistical data for the calendar years 2002-2011, including statistics relating to average gasoline volume per retail outlet (general merchant/service station/garage).

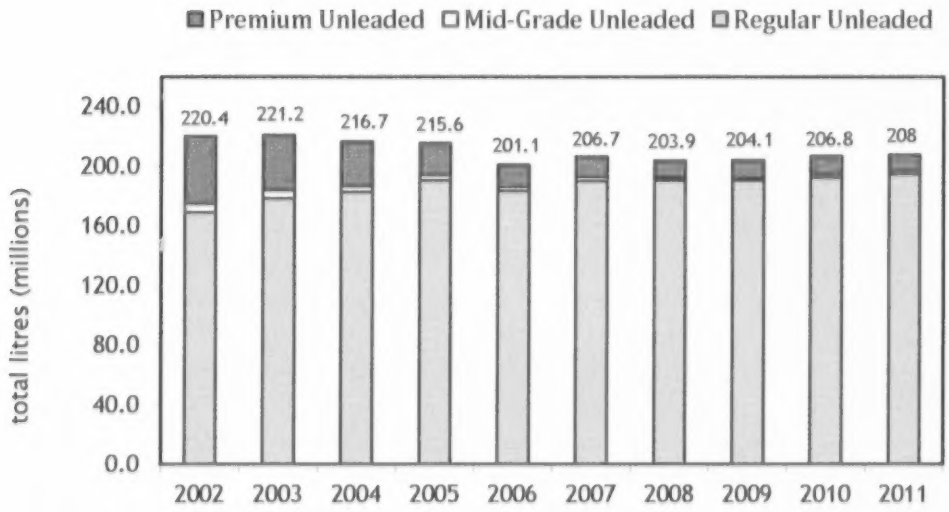
Products Sold (in Litres)

	gasoline	fuel oils	diesel	propane	TOTAL
2011	208,008,318	141,353,332	79,543,198	20,819,887	**449,724,735**
2010	206,838,530	136,236,802	78,928,836	19,794,245	**441,798,413**
2009	204,146,117	152,735,666	79,634,904	20,775,982	**457,292,669**
2008	203,898,647	159,387,400	74,474,033	20,962,027	**458,722,107**
2007	206,735,629	171,956,926	80,292,701	22,083,751	**481,069,007**
2006	201,132,906	152,653,541	81,319,436	20,156,213	**455,262,096**
2005	215,606,663	181,001,327	86,042,708	21,247,305	**503,898,003**
2004	216,693,837	194,930,634	83,033,209	21,764,407	**516,422,087**
2003	221,220,829	197,008,105	84,807,293	20,359,506	**523,395,733**
2002	220,363,661	193,478,213	79,268,308	20,140,851	**513,251,033**

Retail Dealers — Gasoline Volume Statistics

	retail gasoline volume (litres)	number of outlets	average volume/outlet
2011	201,385,568	94	2,165,436
2010	201,067,450	93	2,162,015
2009	196,896,709	96	2,051,007
2008	188,932,978	99	1,908,414
2007	192,890,821	103	1,872,726
2006	189,418,271	107	1,770,264
2005	197,224,392	108	1,826,152
2004	200,831,674	112	1,793,140
2003	202,788,877	114	1,778,850
2002	203,048,718	115	1,765,641

Sales of Gasoline by Grade



In the area of public utilities, the Commission derives its authority under the *Electric Power Act* and the *Water and Sewerage Act*. The former *Act* applies to electric utilities operating in the province and the latter applies to municipal water and wastewater utilities[1].

Electricity

The *Electric Power Act* came into effect on January 1, 2004 and returned Maritime Electric Company, Limited (Maritime Electric), the province's principal supplier of electric power, to the jurisdiction of the Commission. The legislation provides, as well, for the regulation of electric power rates and charges of the City of Summerside Electric Utility insofar as that utility provides services beyond its corporate limits. However, by virtue of the *Electric Power Act City of Summerside Electric Utility Exemption Regulations*, the Summerside Utility is largely exempt from the jurisdiction of the Commission so long as its rates and charges for services provided beyond its corporate limits do not exceed its rates for services provided within the City.

On December 9, 2010, the *Electric Power (Electricity-Rate Reduction) Amendment Act* was tabled in the Legislative Assembly. This legislation outlines the terms and conditions of an Energy Accord Agreement signed between the Government of P.E.I. and Maritime Electric. This *Act* reduces electricity pricing by 14% for customers of Maritime Electric Company, Limited and freezes these reduced rates until March 1, 2013.

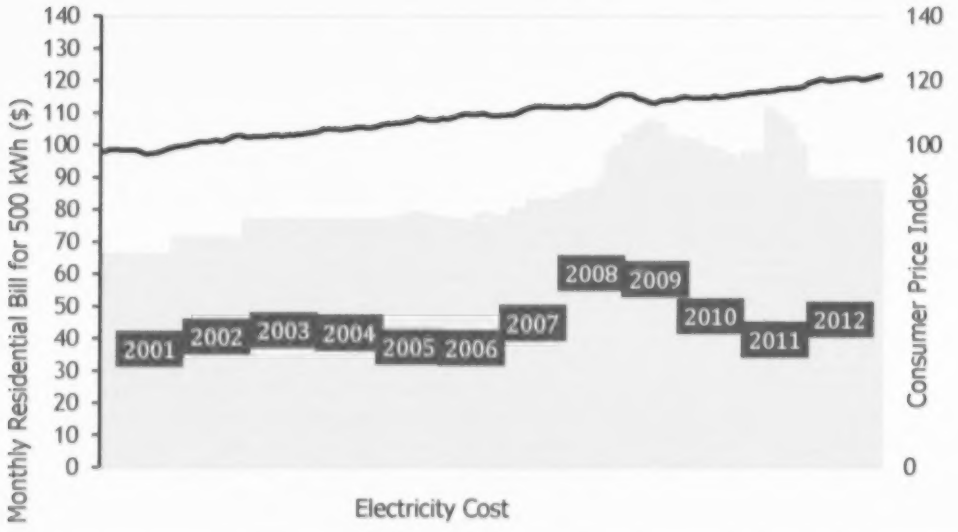
Maritime Electric received approval for its 2012 capital budget estimates and 2010 capital budget expenditure variances. In addition, Maritime Electric filed evidence which outlines its compliance with the *Renewable Energy Act* required percentage of electrical energy from renewable sources. This evidence outlines that Maritime Electric sourced 17.47% of electrical energy from renewable sources and thus exceeded the *Renewable Energy Act* requirement of 15%.

The Commission's regulatory powers are derived from the *Electric Power Act*. On November 25, 2010, the *Electric Power (Electricity-Rate Reduction) Amendment Act* was tabled in the Legislative Assembly by the Honourable Richard F. Brown, Minister of Environment, Energy and Forestry.

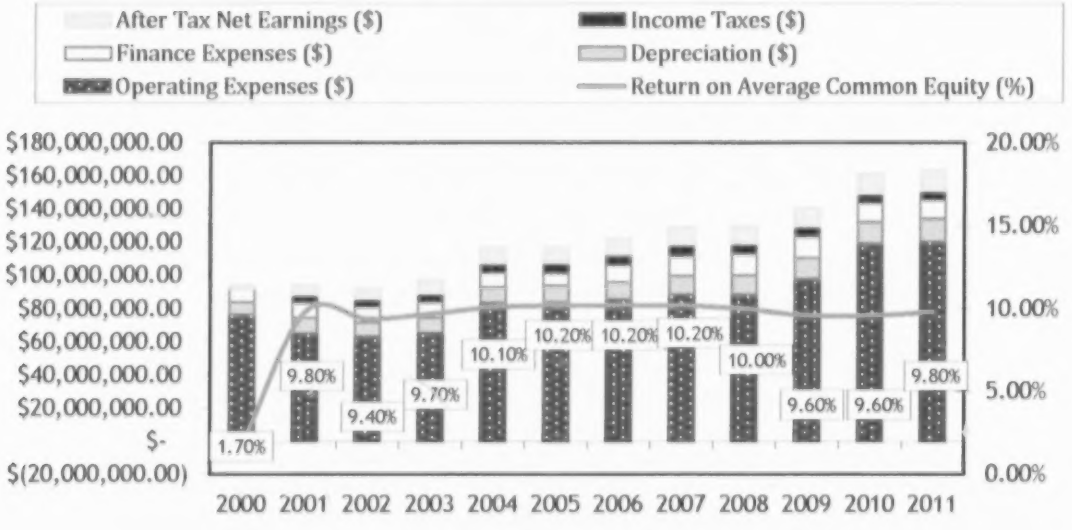
To learn more, visit our website at: www.irac.pe.ca/electric

1 The utilities operating in the cities of Charlottetown and Summerside and the towns of Stratford and Cornwall are exempt from the jurisdiction of the Commission.

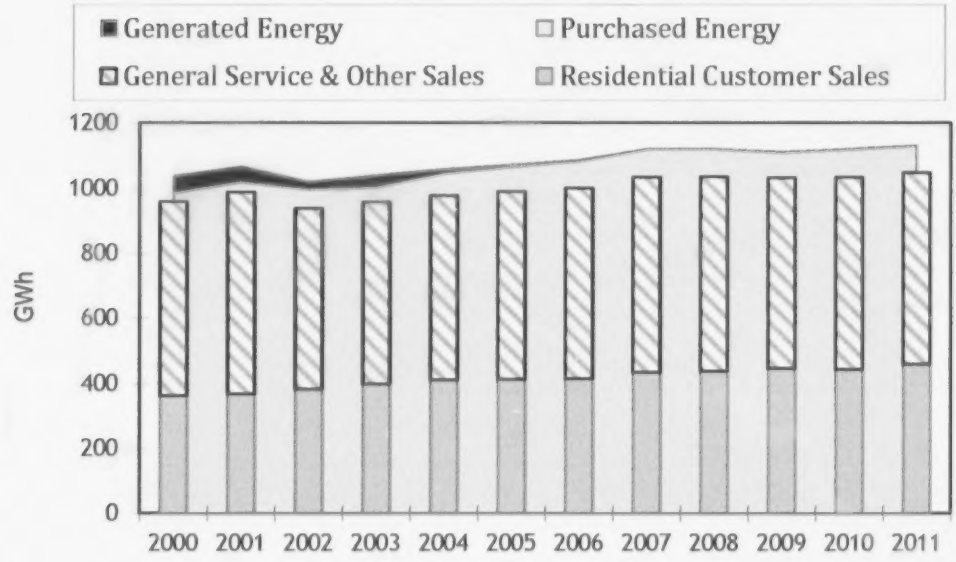
Electricity Costs Compared to the CPI – Maritime Electric



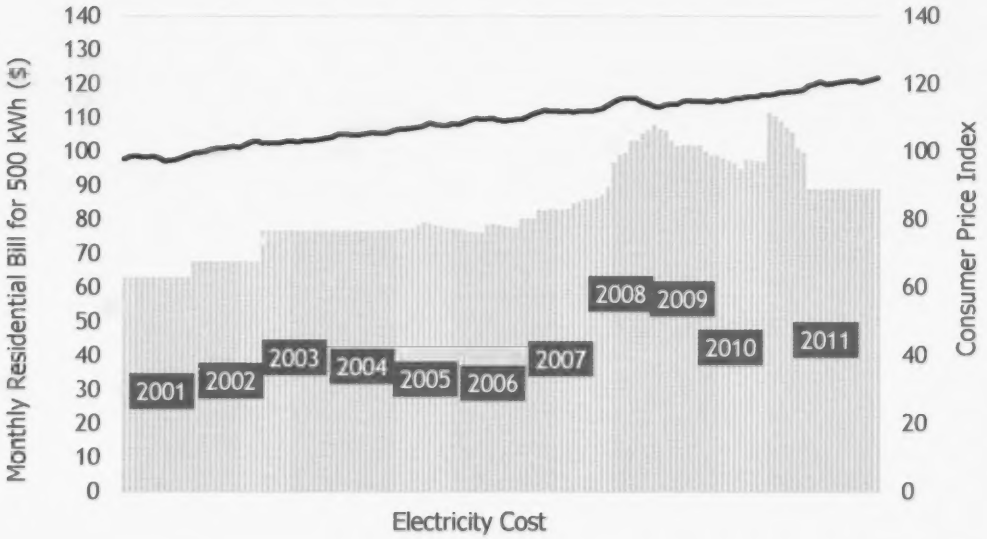
Selected Financial Data - Maritime Electric



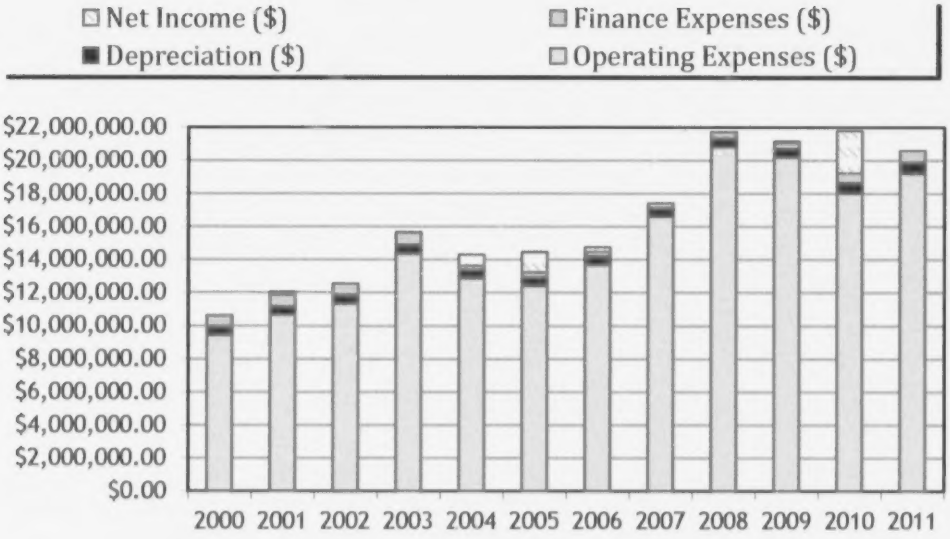
Selected Operating Data - Maritime Electric



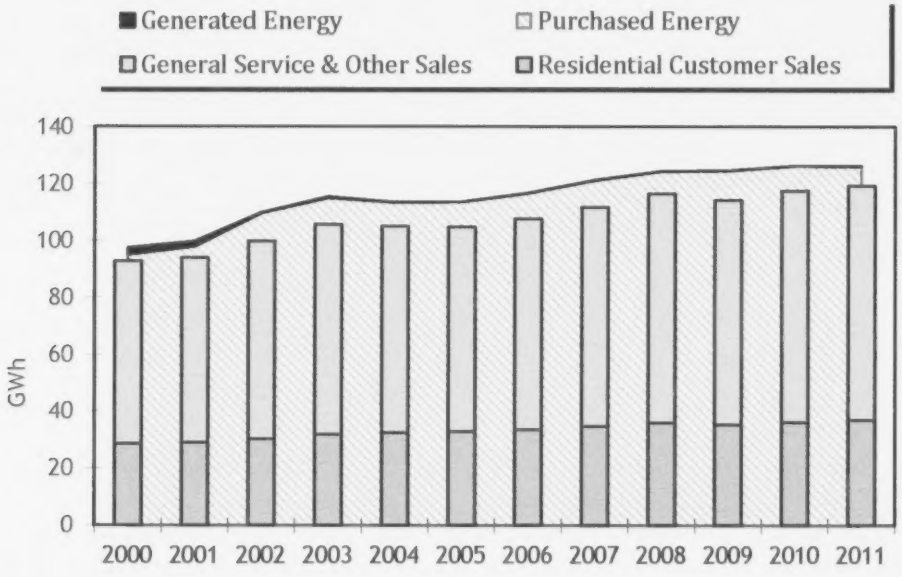
Electricity Costs Compared to the CPI - Summerside Electric



Selected Financial Data – Summerside Electric



Selected Operating Data - Summerside Electric



Water & Sewer

In the area of municipal water and wastewater utilities, the Commission issued six (6) permits approving construction projects for various municipalities and one (1) rate-related Order during this period.

Specifically, construction projects approved by the Commission included upgrades to Georgetown's water facility, including the construction of a new building to house controls and converting one existing well to a monitoring well and designating another existing well as a back-up well. The Mount Stewart wastewater facility received approval to conduct a major upgrade to its treatment plant which involved the creation of a wetland for secondary treatment and the installation of a UV disinfection system. Morell also received approval to add a wetland to their sewer plant to improve treatment.

Alberton extended sewer services to a new subdivision off Church Street and Kensington replaced a portion of sewer main along Victoria Street West. Victoria constructed an addition to its water supply building and made some general improvements to its water system.

Partial funding of municipal projects continued to be available through various federal-provincial development initiatives, although future funding of this nature is expected to dwindle. Many municipalities continued to allocate gas tax funds toward utility projects which helps reduce the impact on utility rates.

During the 2011-12 period, the Commission issued one wastewater rate-related Order involving Crapaud. The Order raised sewer rates associated with major plant upgrades carried out in Crapaud in 2010. Residents were aware of the expected increases resulting from the project.

In the next few years, the Commission anticipates an increase in rate submissions as infrastructure costs and increased expenditures are expected to continue to impact utilities, as well as the need for rate relief resulting from plant upgrades and improvements carried out by various utilities in recent years.

Permit applications are expected to continue to decline in the coming years, however, unless additional infrastructure funding programs are introduced.

The Commission's uniform system of accounts for water and wastewater utilities—introduced in 1997—continues to provide

The Commission regulates all water and wastewater utilities in Prince Edward Island, excluding municipal utilities in Charlottetown, Summerside, Stratford and Cornwall.

Visit our website at http://www.irac.pe.ca/utilities

consistency and comparability and has generally been well received by the utilities under the Commission's jurisdiction, as well as the accounting community.

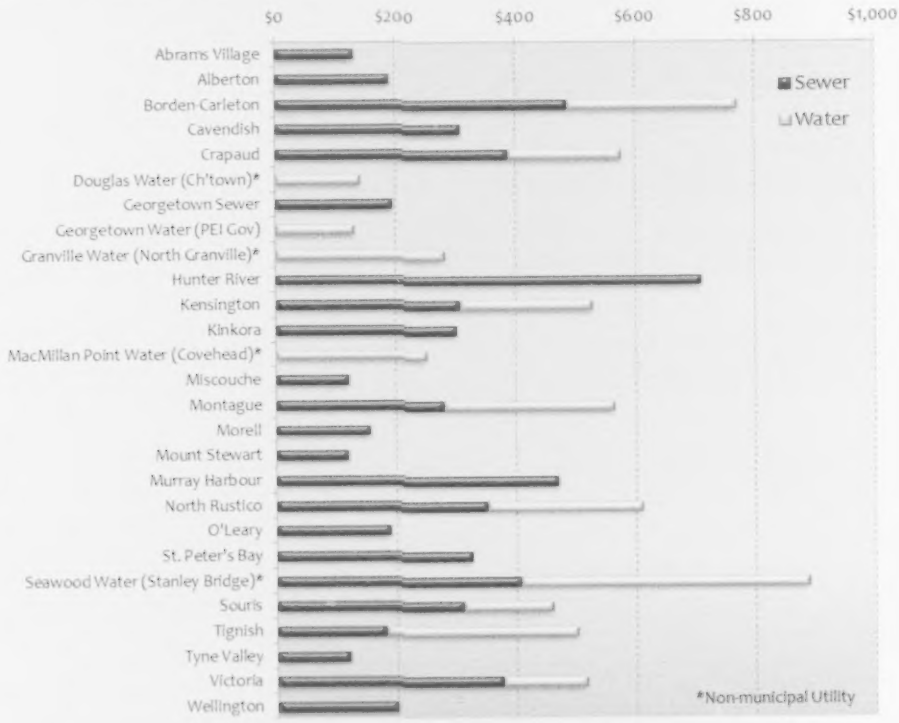
Throughout the period, the Commission continued to encourage utilities to keep their ratepayers informed of utility-related activities taking place in their community. The awareness helps customers better understand the utilities' role and the importance of what they do. It also develops a better appreciation of the connection between the cost of operating and maintaining systems, and utility rates.

Following a survey in 2010 seeking feedback from utility administrators, information sessions and meetings were held with some utility representatives. A reference manual explaining the Commission's role was developed and circulated to the utilities at these meetings. As well, as a result of this collaborative process, an electronic rate filing template was developed and has been made available on the Commission's website to aid utilities with the rate filing process and to help defray filing costs. Meetings with the remaining utilities will be scheduled to take place during the next reporting period.

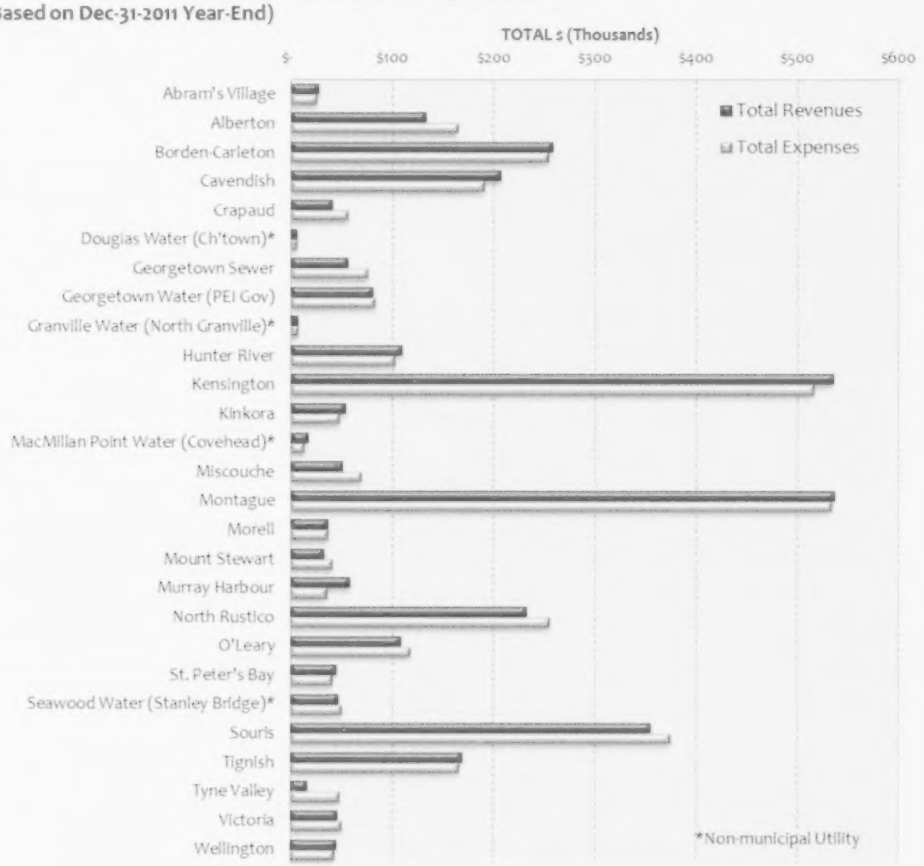
Numerous utility-related inquiries and complaints were addressed during this period as well.

Information on water and wastewater resources such as Commission Permits issued for construction-related projects, Commission water/sewer Orders, utility accounting information and guidelines, as well as rate filing information and the template, are available on the Commission's website at http://www.irac.pe.ca/utilities/.

2011-12 Water /Sewer Utility Annual Rates
(Based on a Single-Family Dwelling)



2011-12 Water/Sewer Utility Revenues & Expenditures
(Based on Dec-31-2011 Year-End)



Automobile Insurance

In December of 2003, the provincial government amended the *Insurance Act* to place the supervision of automobile insurance rates under the jurisdiction of the Commission. The legislation required that all insurers providing automobile insurance in Prince Edward Island file their rates with the Commission on, at least, an annual basis.

This past year, the Commission reviewed a total of 57 rate and/or rate-related filings. On a weighted average basis, the overall rate impact observed on PEI for this period amounted to -1.3%. This, combined with average rate changes of -9.9% in 2004, -3.3% in 2005, -4.8% in 2006, -3.4% in 2007, 0.0% in 2008, +0.1% in 2009, and -1.1 in 2010, yields a combined weighted average rate reduction of approximately 23.8% since the introduction of insurance reform in 2003.

As observed in previous years, the Commission's analysis revealed that there were broad differences in the rates charged by different companies for similar insurance coverage. Accordingly, the Commission is of the opinion that strong competition in the general insurance market continues to exist in Prince Edward Island.

Waste Management

The *Environmental Protection Act* requires Commission approval of variations to existing rates and proposed rates for new services by the Island Waste Management Corporation (IWMC). In seeking rate changes, the IWMC is required to file with the Commission a schedule of proposed rates, a submission justifying or explaining the proposed rates and any such information as the Commission may require. In December, 2011, the Commission approved an increase in the basic household fee to $205.00 as well as increases in the per tonne rates for bulk drop off of various waste materials.

The Commission administers section 258 of the *Insurance Act* and is responsible for reviewing the rates of every insurer carrying on the business of automobile insurance in Prince Edward Island.

In June, 2005, the Legislature amended the *Environmental Protection Act* requiring Commission approval of variations to existing rates and rates for new services by the Island Waste Management Corporation (IWMC).

APPELLATE FUNCTIONS

Planning

Under the *Planning Act*, the Commission is responsible for hearing and deciding appeals relating to land use.

As an appellate body, the Commission hears appeals from persons who are dissatisfied with decisions made by the Minister of Finance, Energy and Municipal Affairs or a municipal council pursuant to subsections 28(1) and 28(1.1) of the *Act*. These provisions are set out as follows:

28. *(1) Subject to subsections (1.2) to (4), any person who is dissatisfied by a decision of the Minister that is made in respect of an application by the person, or any other person, pursuant to the regulations for*

(a) a development permit;
(b) preliminary approval of a subdivision or a resort development;
(c) a final approval of a subdivision;
(d) the approval of a change of use; or
(e) any other authorization or approval that the Minister may grant or issue under the regulations,

may appeal the decision to the Commission by filing with the Commission a notice of appeal.

(1.1) Subject to subsections (1.2) to (1.4), any person who is dissatisfied by a decision of the council of a municipality:

(a) that is made in respect of an application by the person, or any other person, under a bylaw for:
(i) a building, development or occupancy permit,
(ii) a preliminary approval of a subdivision,
(iii) a final approval of a subdivision; or

(b) to adopt an amendment to a bylaw, including:
(i) an amendment to a zoning map established in a bylaw, or
(ii) an amendment to the text of a bylaw,

may appeal the decision to the Commission by filing with the Commission a notice of appeal.

The Commission hears planning-related appeals under a number of provincial statutes. Subject to the specific requirements of section 28 of the *Planning Act*, municipal and ministerial land use planning decisions may be appealed to the Commission. *The Roads Act*, *Unsightly Property Act* and the *Heritage Places Protection Act* also include specific rights of appeal to the Commission.

Synopsis

In 2011-2012, the Commission issued five (5) *Planning Act* appeal orders.

In Order LA11-05, the Commission found that it had no jurisdiction to hear an appeal of a decision of the Community of Victoria.

In Order LA11-06, the Commission denied a reconsideration of an earlier Order pertaining to a decision of the Town of Kensington.

In Order LA11-07, the Commission found that it had no jurisdiction to hear an appeal of a decision of the Community of Victoria.

In Order LA11-08, the Commission allowed an appeal of a decision of the City of Charlottetown.

In Order LA11-09, the Commission incorporated a mediation agreement as an order of the Commission.

During 2011-2012, ten (10) *Planning Act* appeals were filed with the Commission. Four (4) of these appeals were later withdrawn. One (1) appeal has been held in abeyance at the request of the appellant and with the consent of the respondent municipality. One (1)appeal was dismissed by the Commission as the respondent municipality rescinded its decision after the appeal was filed. Four (4) appeals were carried forward with orders anticipated for the 2012-2013 reporting period.

2002-2012 - Status of Planning Act Appeals

Appeals	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12
Allowed	1	4	1	4	3	2	3	2	4	1
Denied	1	2	10	6	9	5	9	6	9	1
Withdrawn	7	6	10	8	3	1	13	7	3	5
No Jurisdiction	3	2	9	4	3	4	1	3	1	2
Mediated	2	0	2	2	2	0	0	0	2	1
Pending	7	9	10	13	4	10	8	9	13	4
Total	21	23	42	37	24	22	34	27	32	14

Jurisdictional Rulings issued by the Commission

While all appeals may have the potential to set a precedent, appeals where the Commission's jurisdiction is at issue have an especially important impact as they help to establish what kinds of future appeals the Commission can, and cannot, hear. The following jurisdictional rulings issued by the Commission may provide future guidance to potential appellants and municipal decision makers.

In **Order LA11-05**, the Commission distinguished between administrative and legislative decisions of a municipality. The Commission found that section 28 of the *Planning Act* permitted administrative decisions with respect to land use planning to be appealed to the Commission. However, the Commission found that the right of appeal set out in section 28 of the *Planning Act* did not extend to legislative decisions of a municipality. The Commission went on to state:

> *The Commission finds that the creation of an official plan or a bylaw implementing such official plan, or the statutorily required review of such documents, is a legislative process which may not be appealed to the Commission.*

The Commission then went on to state the types of bylaw amendment that could be appealed:

> *While clause 28(1.1)(b) of the Planning Act allows an appeal of a decision to amend a bylaw, the Commission interprets this clause as pertaining to bylaw amendments made as an administrative, rather than a legislative, function of a municipality. Thus an amendment to a bylaw, for example an amendment to a zoning map, along with any necessary consequential amendments to an official plan, for example an amendment to the future land use map, both of which were required to allow a specific development project to go ahead, are viewed as administrative decisions which may be appealed to the Commission. By contrast, a comprehensive review of the official plan and the accompanying review of the implementing bylaw, not pertaining solely to any one specific application, constitute a legislative enactment made by the municipality.*

In **Order LA11-07**, the Commission found that an objective test must be applied to the requirement set out in sub-section 28(1.1) of the *Planning Act* that"

> *"... any person who is dissatisfied by a decision of the council of a municipality ... may appeal the decision to the Commission by filing with the Commission a notice of appeal."*

The Commission went on to find that:

> *"In determining whether or not a person or corporation is dissatisfied under subsection 28(1.1), a mere claim of dissatisfaction is not enough. Rather, a review of the record must persuade a reasonable person that the person or corporation, by their actions, was objectively dissatisfied."*

In the above appeal, the Commission found that the appellant had signed an agreement with the municipality. Once the municipality issued final approval of the appellant's subdivision, the appellant sought to be released from the agreement by filing his appeal. The Commission found that the appellant could not have objectively been considered to be dissatisfied within the context of subsection 28(1.1) of the *Planning Act* as the appellant consented to the municipality's request. The Commission went on to find that while the Supreme Court of Prince Edward Island potentially could determine whether or not the agreement was legally binding, there was no evidence before the Commission that the appellant had sought and obtained judicial release from the agreement. In the absence of such evidence, the December 3, 2010 agreement was legally binding, the appellant was deemed to be satisfied under subsection 28(1.1) of the *Planning Act* and the Commission had no jurisdiction to hear the appeal.

Real Property Assessments

The Minister of Finance, Energy and Municipal Affairs is responsible for administering the *Real Property Assessment Act*. Sub-section 22(1) of the *Act* states:

> *"Where an assessment has been referred to the Minister under Section 20, and after the Minister has notified the person making the reference of his decision, the person making the reference may appeal to the Commission to have the assessment vacated or varied."*

In 2011-2012, the Commission received twelve (12) appeals. Eleven (11) appeals were subsequently withdrawn. In one (1) appeal, the Commission issued an order confirming revisions made by the Minister following the filing of the appeal but otherwise denying the appeal.

Real Property Taxes

The Minister of Finance and Municipal Affairs is responsible for administering the *Real Property Tax Act*. Subsection 35(1) of the *Act* reads:

> *"Where a tax has been referred to the Minister under Section 33, and after the Minister has notified the person making the reference of his decision, the person making the reference may appeal to the Commission, to have the tax vacated or varied."*

No appeals were filed with the Commission during this reporting period.

Appeals under the Emergency 911 Act

Section 10 of the *Emergency 911 Act* authorizes the Lieutenant Governor in Council to make regulations respecting appeals to the Commission from decisions of the Provincial Tax Commissioner addressing objections of telecommunications carriers in respect of assessments, reassessments and estimates. Where a telecommunications carrier disputes liability for an amount indicated as being due and payable, the *Emergency 911 Act 911 Cost Recovery Fees Regulations* provides the telecommunications carrier with the right to appeal a decision of the Provincial Tax Commissioner with respect to the reconsideration of the assessment, reassessment or estimate.

No appeals were filed with the Commission during this reporting period.

Revenue (Sales) Taxes

Under the *Revenue Administration Act*, the Commission acts as an appellate tribunal that hears appeals from decisions of the Provincial Tax Commissioner in relation to tax assessments made under several provincial revenue acts.

No appeals were filed with the Commission during this reporting period.

Unsightly Properties

The *Unsightly Property Act* deals with properties that are considered unsightly. Under the *Act* an Order can be issued to an individual to clean up the property. Pursuant to Section 7 of the *Act*, where an individual is issued an Order to clean up an unsightly property, he or she may appeal to the Commission. On hearing the appeal, the Commission may confirm, rescind or in any manner vary the Order, and the judgment of the Commission shall be final.

No appeals were filed during the reporting period. One (1) appeal previously filed during the 2010-2011 reporting period was carried over into 2011-2012. That appeal is pending, with an Order anticipated in the 2012-2013 reporting year.

Entranceway Permits

The *Roads Act* is the responsibility of the Minister of Transportation and Infrastructure Renewal. The Commission has appellate jurisdiction as set out pursuant to subsection 12(1) of the Highway Access Regulations:

> *"Where the Minister has discretion to issue an entranceway permit pursuant to these regulations, a decision of the Minister may be appealed to the Island Regulatory and Appeals Commission, by the applicant."*

During the reporting period, no appeals were filed with the Commission.

Heritage Places

Under the *Heritage Places Protection Act* and the *Heritage Places Protection Act Regulations*, the Minister may designate any heritage place as a designated site, structure or area. The owner of any property designated as a heritage place, or any municipality in which the property is located, may appeal the Minister's decision by written notice to the Commission within 30 days of the receipt of service of the Notice of Designation of Heritage Place.

No appeals were filed with the Commission during this reporting period.

Environmental Appeals

Section 29.1 of the *Environmental Protection Act* operates in conjunction with Section 13 of the *Environmental Protection Act - Watercourse and Wetland Protection Regulations* to provide a limited right of appeal to the Commission. This right of appeal pertains to certain decisions made by the Minister of Environment, Energy and Forestry.

The Commission issued one (1) Order during 2011-2012. In Order LEV11-01, the Commission allowed the appeal in part and provided specific directions to the Minister.

During 2011-2012, one (1) appeal was filed. Written submissions on the issue of jurisdiction were requested by the Commission and were filed by legal counsel for the appellant and for the Minister. That appeal is pending, with an Order anticipated in the 2012-2013 reporting year.

Rental Appeals

Under the *Rental of Residential Property Act*, the Commission has the power to hear appeals from decisions of the Director of Residential Rental Property. Of the 346 Orders issued on rental matters by the Director during the 2011-2012 reporting period, the Commission received 38 appeals. In addition, one (1) appeal was carried forward from 2010-2011. Of these 39 appeals, four (4) appeals were withdrawn and the Commission issued decisions on 35 appeals.

The volume of rental appeals this period is significantly higher than that experienced in 2010-2011, where out of 350 Orders issued by the Director of Residential Rental Property, 23 appeals were filed with the Commission.

OFFICE OF THE DIRECTOR OF RESIDENTIAL RENTAL PROPERTY

The Office of the Director of Residential Rental Property is responsible for the administration of the *Rental of Residential Property Act*, primarily dealing with disputes between lessors and lessees.

To view our website, go to www.irac.pe.ca/rental

Roles and Responsibilities

The following outlines the major roles and responsibilities of the Office and the level of activity under each of the designated sections of the *Act*. Statistical information is based on the fiscal year from April 1, 2011 to March 31, 2012.

The administration of the *Rental of Residential Property Act* (the *Act*) is carried out by the Office of the Director of Residential Rental Property, while The Island Regulatory and Appeals Commission (the "Commission") hears appeals from the decisions of the Director of Residential Rental Property and those rental officers who have been delegated decision making power by the Director.

The *Act* establishes the obligations and responsibilities of the parties to rental agreements for residential premises. Procedures are set out to deal with violations and to enforce obligations under rental agreements. The *Act* sets out mechanisms whereby violations are expeditiously handled and the system is readily accessible to all parties. The *Act* outlines, among other things, procedures for the enforcement of statutory conditions, the handling of security deposits, the termination of rental agreements, rent owing, disposition of abandoned personal property, and properly increasing rent.

The Office has exclusive responsibility for the administration of the *Act* and Regulations. The Director is responsible for:

- Providing information to the public to promote understanding of rights and responsibilities under this *Act;*
- Advising lessors and lessees with respect to matters relating to rental agreements;
- Receiving and investigating allegations of violations of rental agreements, or of the *Act* or the Regulations;
- Holding hearings, giving notice thereof to the parties, determining matters of procedure at hearings and making decisions or orders with respect to matters relating to the rights of lessors or lessees arising pursuant to this *Act;* and
- Entering and inspecting residential premises, after serving an inspection order, for the purpose of carrying out the powers or duties under this *Act* or the Regulations.

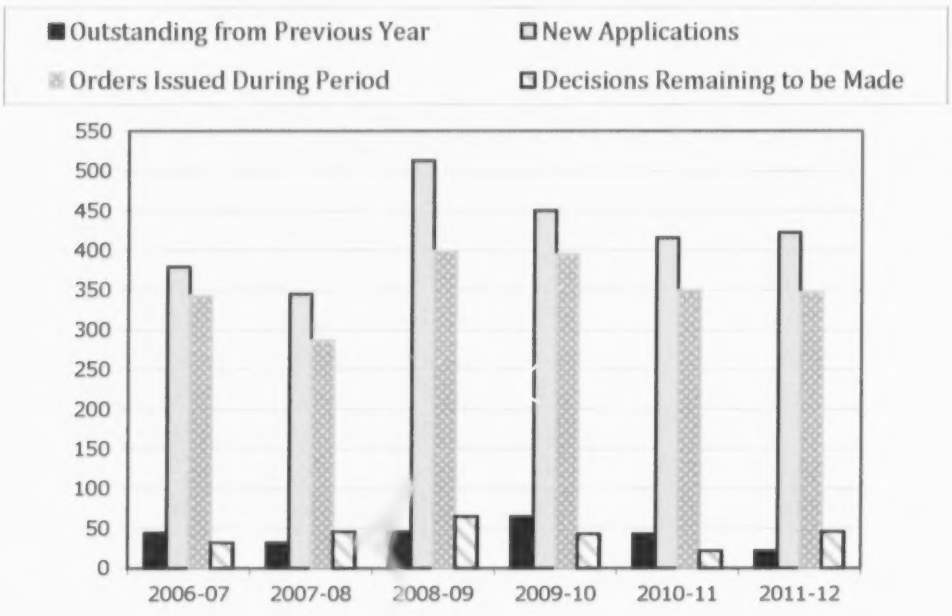
As a result of legislative changes in 1998, the *Act* applies to all premises licensed under the *Tourism Industry Act* where guests rent such premises for a continuous period of one month or more.

The *Act* is administered on a Province-wide basis with the majority of hearings being held at the offices of the Director. Hearings are also held at various Access PEI Centres when the housing unit involved is in that regional area.

Activities

During 2011-2012, the Office received 422 new applications concerning rental matters and issued 347 orders. During the 2010-2011 reporting period, the Office received 416 new applications and issued 350 Orders.

Status of Applications 2006-2012



Orders Issued – 2006-2012

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
DETERMINATION OF SECURITY DEPOSITS	55	40	55	46	53	32
BREACH OF STATUTORY CONDITIONS	228	173	257	261	212	221
TERMINATION	56	62	61	75	63	73
RENT INCREASE	4	12	26	13	22	21
TOTAL	343	287	399	395	350	347

In 2011-2012, the Office received 10,463 inquiries, as compared to 9,968 inquiries in 2010-2011..

Inquiries – 2006-2012

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
BREACH OF STATUTORY CONDITIONS						
CONDITION OF PREMISES	708	674	790	682	573	718
SERVICES	282	417	517	379	301	410
GOOD BEHAVIOR	186	142	167	150	113	126
LESSEE CLEANLINESS AND / OR DAMAGES	596	533	457	346	307	325
SUBLET BY LESSEE	34	39	32	66	31	58
ENTRY OF PREMISES	222	247	181	206	210	214
ENTRY DOORS	42	38	57	27	29	34
LATE PENALTY PAYMENT	3	7	10	6	6	6
QUIET ENJOYMENT	146	163	130	143	108	68
LESSEE DELIVERY OF POSSESSION	728	835	779	697	549	605
MOBILE HOMES	40	52	76	50	66	131
RENT	2,544	2,388	2,494	1,991	1,811	2,011
OTHER STATUTORY CONDITIONS	213	288	285	444	306	304
PERSONAL PROPERTY	200	220	237	221	239	223
WASTE MANAGEMENT	8	9	1	6	5	7
NO STATUTORY CONDITION SPECIFIED	0	0	0	0	0	0
SECURITY DEPOSITS	1,915	1,717	1,583	1,297	1,415	1,158
TERMINATION	2,491	2,625	2,557	2,451	2,261	2,425
RENT INCREASE	468	609	1,345	568	496	591
OTHER	1,652	1,680	1,769	1,299	1,142	1,049
TOTAL	**12,478**	**12,683**	**13,467**	**11,029**	**9,968**	**10,463**

Note: There are some office and telephone calls and emails or faxes which involve more than one category inquiry.

The following sections outline the level of activity under the main sections of the *Act*.

Enforcement of Statutory or Other Conditions of a Rental Agreement

The statutory conditions are those obligations of either the lessor (landlord) or the lessee (tenant) as set out in the *Act* and the standard form of rental agreement. Statutory conditions include such issues as: the condition of the premises, the services provided, lessee obligations and behaviour, payment of rent and return of rent, subletting of the premises, entry into the premises, late payment and delivery of possession. The *Act* also provides for a process for dealing with personal property abandoned by lessees. In all cases, the parties are encouraged to resolve disputes after their rights are explained. When this is unsuccessful, an application is received and processed by investigation and/or hearing.

During the reporting period, the Office received 282 applications involving statutory or other conditions. This represents an increase of 25 from the previous year's total of 257.

Nature of New Applications

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
DETERMINATION OF SECURITY DEPOSITS	56	37	55	40	55	36
BREACH OF STATUTORY CONDITIONS						
CONDITION OF PREMISES	9	12	21	16	17	22
SERVICES	3	4	21	3	4	14
GOOD BEHAVIOR	0	0	1	0	0	0
LESSEE CLEANLINESS AND / OR DAMAGES	0	0	0	0	0	0
SUBLET BY LESSEE	0	0	0	0	0	2
ENTRY OF PREMISES	0	0	0	0	0	1
ENTRY DOORS	0	0	0	0	0	0
LATE PENALTY PAYMENT	0	0	0	0	0	0
QUIET ENJOYMENT	0	2	2	1	2	0
MOBILE HOMES	0	0	0	0	0	0
LESSEE DELIVERY OF POSSESSION	102	98	126	145	117	126
SECURITY DEPOSIT	22	15	17	23	22	19
RENT	90	74	112	81	65	67
PERSONAL PROPERTY	18	13	14	19	24	22
OTHER	4	5	3	8	6	9
TERMINATION	71	72	66	97	79	84
RENT INCREASE	4	13	75	17	25	20
TOTAL	379	345	513	450	416	422

Security Deposits

The Act sets out the handling and processing requirements for security deposits taken as a condition of the rental agreement. The lessor is required to deposit the funds at a financial institution in a designated trust account and interest accrues while the deposit is held. Within 10 days of the lessee delivering up possession of the premises, the lessor is to return the deposit with interest. The lessor may retain all or a portion of the deposit to cover damages or unpaid rent but if this is done, the lessee must be advised of the nature and amount of charges made. If an agreement is not reached between the parties, the lessee may request a decision by the Director, at which time the deposited funds are forwarded and held in trust by the Director. An investigation is then carried out and a decision is rendered.

The Office received 36 applications involving security deposits during this reporting period. This represents a decrease of 19 from the previous year's total of 55 applications.

Termination of Rental Agreements

The *Act* provides for limited security of tenure for the lessee whereby the lessee must be given, in writing, the proper notice and the reason for the termination of the rental agreement. Termination is allowed only for the reasons set out in Sections 13, 14 and 15 of the *Act*. If a lessee wishes to challenge a notice of termination, the lessee must apply to the Office. The lessor may also apply for earlier termination of the rental agreement where circumstances warrant. In either case, when an application regarding termination is received, an investigation is carried out and a decision rendered.

In 2011-2012, the Office received 84 applications involving the termination of rental agreements during the reporting period. This represents an increase of 5 from the previous year's level of 79 applications.

Rent Increases

Each year the Director invites written representation from lessors and lessees to assist in establishing the annual prescribed percentage rent increase. The Director is responsible for preparing background material for the Commission, with the Commission responsible for making the decision on the allowable percentage rent increase for the coming year. In 2010, the Commission had established the allowable percentage rent increase for 2011 at 1% for unheated residential premises and mobile home sites and 2% for heated residential premises. In 2011, the Commission established the permissible rent increase at 2% for all unheated residential premises and mobile home sites, and at 3.2% for heated residential premises. Any rent increase exceeding the established amount requires approval by the Director before being charged and collected.

During the reporting period, the Office received 20 applications involving rent increases. This represents a decrease of five (5) from the previous year's level of 25 applications.

Appeals to the Commission

The Commission has the power to hear appeals from the decisions of the Director. Of the 347 Orders issued on rental matters during the reporting period, 34 were appealed to the Commission. During 2010-2011, 23 of the 350 orders issued by the Director were appealed to the Commission.

Significant Events

During this reporting period, the Office continued to experience a high level of activity, with an increase in inquiries made to the Office. There were also a number of applications decided which involved a consideration of the limits of the Director's jurisdiction to hear matters. It is evident that both lessors and lessees require a forum where disputes can be decided in a speedy and cost efficient manner. The Office continues to review its current resources and practices in order to increase its efficiency while ensuring that all parties involved receive a fair and timely hearing of the issues brought forward. The Office continues its commitment to reducing the average time required to process each application from beginning to end.

The Information Officer travelled to Access PEI locations throughout the Province during the spring and early summer to provide on-site training to the front line workers at Access PEI offices who deal with applications made at their offices throughout the Province under the *Act*. This series of presentations by the Information Officer was designed to ensure that all persons dealing with the public were knowledgeable about the application processes and to ensure a consistent level of service throughout the Province.

The Office continues its commitment to providing reliable general information on rental issues, both through its website (www.irac.pe.ca/rental) and through presentations given throughout the Province by the Information Officer and by Rental Officers. Information sessions were held throughout the Province with audiences of youth, industry, and educational groups during the reporting period.